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Accounting Bulletin No. 1

DECISIONS UPON QUESTIONS

RAISED UNDER

CLASSIFICATIONS

PRESCRIBED BY

^{U. S.}
THE INTERSTATE COMMERCE
COMMISSION.

Bureau of accounting
IN ACCORDANCE WITH

SECTION 20 OF THE ACT TO REGULATE COMMERCE

Effective on July 1, 1908

WASHINGTON
GOVERNMENT PRINTING OFFICE
1908



THE INTERSTATE COMMERCE COMMISSION.

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INTRODUCTORY LETTER.

INTERSTATE COMMERCE COMMISSION,
DIVISION OF STATISTICS AND ACCOUNTS,
Washington, June 16, 1908.

TO CARRIERS CONCERNED:

This bulletin, entitled "Accounting Bulletin No. 1," contains the final answers to a series of questions submitted to the Division of Statistics and Accounts since the promulgation of the accounting orders under date of June 3, 1907. The cases selected are those which are regarded as important for the reason that they make clear the meaning or application of the text descriptive of the primary accounts covered by the Classification of Operating Expenses, the Classification of Operating Revenues, and the Classification of Expenditures for Road and Equipment. For convenient reference, the case numbers of Accounting Series Circulars Nos. 12 and 12a are preserved in this bulletin, and wherever, for any reason, a Case is omitted, a statement explanatory of the omission is inserted.

As a matter of information it may be proper to state that most of the answers to questions recorded in this bulletin have received the approval of the Association of American Railway Accounting Officers, minor changes having been made only where a modification of the language seemed desirable. This bulletin, taken in connection with Accounting Series Circular No. 12b, will comprise a complete file of important cases answered by this office previously to May 1, 1908.

HENRY C. ADAMS,
In charge of Statistics and Accounts.

INTERSTATE COMMERCE COMMISSION ACCOUNTING BULLETIN NO. 1.

QUESTIONS AND DECISIONS.

CASE 1.

Query. How shall debits and credits not provided for in Classifications of Operating Expenses and Revenues, such as Outside Operations and Additions and Betterments, be disposed of prior to receipt of formal order of Commission?

Answer. All accounting matters must be disposed of in conformity with the principles embodied in the orders of the Interstate Commerce Commission. Subject to this limitation, where not covered by such orders, they may be disposed of according to the judgment of the carrier.

CASE 2.

Query. When a carrier assumes proportion of switching charges collectible from another carrier, should such proportion be charged to freight revenue as "Switching Absorbed" and credited to freight revenue when collected?

Answer. This is a matter of bookkeeping, in which each carrier is for the present permitted to use its own discretion so long as the integrity of the prescribed accounts is maintained. (*See Case 214.*)

CASE 3.

Query. Is it essential that books be written up monthly by a road which has been heretofore in the habit of writing books up once in six months

Answer. Accounts should be written up monthly.

CASE 4.

Query. Is it permissible after July 1, 1907, to carry over balances in reserve funds? Such balances may consist of esti-

mated amounts of overcharges, switching, loss, damage, and personal injury claims.

Answer. Such balances in reserve accounts may be carried over. There is no objection to the creation and maintenance of reserves of this character, provided the charges to the various operating expenses and revenue accounts are adjusted yearly as far as practicable. Reserves should be held until liabilities are paid.

CASE 5.

Query. A judgment is rendered against a carrier, which is chargeable to operating expenses. Is it permissible to spread the amount thereof over several months, and even over more than one fiscal year?

Answer. Judgments and heavy or extraordinary expenses, due to fires, accidents, etc., may be spread over several months of a fiscal year, but permission must be obtained from the Interstate Commerce Commission if it is desired to extend the charges to "Operating Expenses" into the succeeding fiscal year.

CASE 6.

Query. To what account should the expense of "studles" by the Engineering Department be charged? By "studles" are meant tentative surveys, sinking test pits, etc., in connection with proposed work, prior to any authorization for the prosecution of the work. In some cases the work is ultimately not undertaken, and the expense can not therefore be charged against the job.

Answer. Such expense should be charged to convenient suspense or clearing accounts until such time as it can be determined where these expenditures belong, and then transferred to "Income," "Profit and Loss," "Construction," or "Operating Expenses," as may be appropriate.

CASE 7.

(Refers to Additions and Betterments. See *Accounting Series Circular No. 12b.*)

CASE 8.

Query. To what account should be charged loss and damage on company material?

Answer. The cost of all company material lost or damaged in transit should be charged to "Loss and Damage—Freight" under

"Transportation Expenses;" the text under that account is amended by eliminating the words " but not" in parenthesis in the third line and changed to read as follows:

"LOSS AND DAMAGE—FREIGHT.

"This account includes payments for loss, damage, delays, or destruction of freight, locomotives, and cars when waybilled as freight (including all company's material), parcels or express intrusted to the company for transportation, including live stock received for shipment; and all expenses directly incident thereto; freight in transit lost overboard from lighters (less insurance and amount recovered from sale of unclaimed and damaged freight); cost of repacking and boxing damaged merchandise and other property; pay and expenses of employees and others engaged as adjusters and in detecting thieves; and services and expenses of employees or others while engaged as witnesses in lawsuits in connection with loss and damage cases."

See Supplement, effective on July 1, 1908, to Classification of Operating Expenses for Steam Roads, Third Revised Issue.

CASE 9.

Query. In adjusting material accounts to basis of inventory, what account or accounts should be credited or debited?

Answer. The differences in inventory debit or credit should be considered as having accrued in operating material, and should be debited or credited to the proper operating expense accounts on the basis of issuance of material to these accounts during the period since the last inventory adjustment, provided that where an overage or shortage on any particular class of material, such as ties, rails, fuel, etc., can be definitely determined, an adjustment should be made in the accounts affected thereby.

CASE 10.

Query. How shall taxes on joint facilities be treated?

Answer. Taxes paid upon property used jointly should be charged by the owner to taxes, and the proportion paid by the user should be charged by him to the appropriate rent account under "Income" account together with the rent, and not to taxes, a corresponding credit to rents received under "Income" account being made by the owner.

CASE 11.

Query. Shall rent of tracks based on percentage of valuation be charged to income under head of rents?

Answer. Yes.

CASE 12.

Query. To what account should be charged a rent of property based on interest valuation?

Answer. To an appropriate rent account under "Income" account.

CASE 13.

Query. We are renting a piece of ground belonging to another carrier, and upon this ground we have built tracks for our own exclusive use. To what accounts should be charged amount paid for the rent of the ground, and to what account should the carrier owning the ground credit the amount received from us?

Answer. Debits and credits should go respectively to appropriate rent accounts under "Income" account.

CASE 14.

Query. The A railroad company has a contract whereby about 4 miles of its track is used by another company without any expense of any kind to A. Kindly advise to what revenue account the rent should be credited?

Answer. To an appropriate rent account under "Income" account.

CASE 15.

Query. Road A is the lessor of certain track over which it does not operate its own trains. This track is used jointly by road B and road C, which pay a fixed rent, taxes, and maintenance, taxes and maintenance being apportioned between them on the basis of engine and car mileage. Should the taxes paid and collected by road A be credited to taxes or debited to taxes and credited same as rent to income? To what account should this item be charged by the lessee companies?

Answer. Taxes paid by lessor should be charged to taxes, and when collected by the lessor should be credited to an appropriate rent account under "Income" account. Rent paid in respect to such taxes should be charged by lessee to an appropriate rent account under "Income" account.

CASE 16.

Query. To what account shall be credited rents from property not used in the operation of the railroad? To what account shall be charged cost of repairs, insurance, taxes, and other expenses in connection with such property?

Answer. Rents received from rent of buildings and other property not included in the operation of a road should be credited to an appropriate rent account under "Income" account, and insurance, repairs, and other expenses incident to the care of the property should be charged to the same account. Taxes should be charged to "Taxes" account.

CASE 17.

Query. To what account should be charged rent of bridges?

Answer. Rents not including maintenance and operation should be charged to an appropriate rent account under "Income." Rents covering operation or maintenance or both should be divided by agreement of the parties into two parts, one of which shall be sufficient to cover cost of operation or maintenance or both, as the case may be, and should be charged to the appropriate "Joint-facilities" accounts in "Operating Expenses," and the remaining portion should be charged to an appropriate rent account under "Income" account.

CASE 18.

(Refers to Additions and Betterments. See *Accounting Series Circular No. 12b.*)

CASE 19.

Query. To what account should be charged discount on bonds issued for construction of new lines and for additions and improvements?

Answer. Discount on bond issues may be charged to an account which may be designated "Discount on Obligations Issued."

NOTE.—This answer may be modified in form when the rules for a standard balance sheet are issued. See case 101.

CASE 20.

(Refers to Additions and Betterments. See *Accounting Series Circular No. 12b.*)

CASE 21.

(Refers to Additions and Betterments. *See Accounting Series Circular No. 12b.*)

CASE 22.

(Refers to Additions and Betterments. *See Accounting Series Circular No. 12b.*)

CASE 23.

(Refers to Additions and Betterments. *See Accounting Series Circular No. 12b.*)

CASE 24.

Query. A carrier operates from A to B by rail and from B to C by water, making an arbitrary division of the revenues received between the rail and water lines. Does the proportion allowed water line from B to C constitute what is meant by "allowance" in Introductory Letter in Classification for Outside Operations?

Answer. Yes.

CASE 25.

Query. This company operates its parlor cars in the same trains with other passenger cars, and the expenses for such cars for general supervision, heating, lighting, cleaning, taxes, etc., can not be accurately ascertained and must be arbitrarily apportioned if they are to be treated in "Outside Operations." Therefore as parlor cars are operated by us in direct connection with the transportation business, are we permitted to charge the expenses on account of these cars to appropriate accounts under "Operating Expenses" and credit the receipts from such car fares to Account No. 4, "Parlor and Chair Car Revenue," under "Operating Revenues"?

Answer. Receipts from parlor cars where expenses are not sufficient to impair the statistics of rail operation may be credited to Revenue Account No. 4, "Parlor and Chair Car Revenue," and the expenses charged to appropriate operating expense accounts.

CASE 26.

Query. This company operates its stock yards in connection with its transportation business, it having no stock yards but what are called upon to furnish facilities for the company itself when occa-

sion arises, as well as to furnish facilities to shippers, for which service collections are made to cover same. It will be practically impossible for us to make an accurate separation of the expenses for services rendered the company from those rendered shippers. We would ask, therefore, if we are permitted to charge all expenses on account of such stock yards to appropriate accounts under "Operating Expenses," and to credit all receipts to Account No. 19, "Miscellaneous," under "Operating Revenues?"

Answer. Yes, if not inconsistent with the Introductory Letter and text of the Classification of Revenues and Expenses for Outside Operations.

CASE 27.

Query. Raise the question of the proper distribution of boat demurrage, both debit and credit. A charge is made against the traffic or the owner of the boat where it is delayed beyond a certain date, and payments are made to lines owning wharf facilities where one of our boats is tied up beyond a certain period.

Answer. Should be treated through the appropriate Outside Operation revenue and expense accounts if incidental to conducting an outside operation.

CASE 28.

(Refers to Additions and Betterments. See *Accounting Series Circular No. 12b.*)

CASE 29.

Query. Is it permissible to spread Insurance premiums, to be paid in any one year, over twelve months, provided adjustment is made at close of year to actual payments on this account?

Answer. Insurance premiums should be charged upon the basis of accruals. Where the premium covers twelve months' insurance, one-twelfth should be charged each month.

CASE 30.

Query. In the Classification of Operating Expenses, Third Revised Issue, I note under the heading "Buildings, Fixtures, and Grounds," insurance recovered, page 34, Note B, reading as follows:

"Insurance recovered on buildings, fixtures, and grounds should be credited to this account." Will you please advise me if it is intended that we shall credit "Operating Expenses—Buildings,

Fixtures, and Grounds"—with the total amount recovered from a building in the month in which payment is made by the insurance company?

I will explain that heretofore when a building was destroyed and the insurance recovered, we have credited the insurance to a temporary account, such as "Insurance Collected on Buildings Burned," subaccount "Depot at ———," for instance. When the depot was reconstructed, we charged the cost of the new depot to the last-named ledger account. In this way operating expenses were not disturbed in any way by the burning of the depot or the recovery of the insurance.

You will note that under instructions conveyed in Note B, page 34, we recover, say, \$25,000 for a depot destroyed, we would immediately—that is, in the month in which the money was received from the insurance company—credit operating expenses with the \$25,000. This will affect comparison with the previous month and with the same month of the previous year.

The above also applies to "Bridges, Trestles, and Culverts," Note C, page 29.

Answer. The above-stated manner of handling the accounts with respect to insurance, through a temporary account, is correct.

CASE 31.

Query. Are not Notes C, page 29, and B, page 34, of the Official Classification of Operating Expenses, Third Revised Issue, in conflict with the last clause of Note A on page 40, under Insurance, which provides that to Insurance shall "be credited all amounts recovered from insurance companies for damage to property reinsured by them?"

Answer. There is no conflict. The last-mentioned provision is restricted to the case of reinsurance, i. e., where a carrier acts as its own insurer and by suitable charges to operating expenses raises an insurance fund. In such case, if it is later deemed advisable to divide the risk in respect of any particular portion of the property, such property is reinsured with another insurer, the premium paid for such reinsurance is charged to the insurance fund, and the amount recovered in case of casualty is credited to such fund.

CASE 32.

Query. With reference to the note in the Third Revised Classification of Operating Expenses under each of the accounts, "Ties,"

"Rails," "Bridges," etc., is it intended that the several accounts shall include in any one fiscal year only the actual expenditures (of the character contemplated) made during the particular fiscal year, or is it contemplated that, if a company desires, it may authorize or approximate any sum that they may see fit, charging the amount so authorized or approximated to the accounts concerned without regard to the actual expenditures during any month or fiscal year?

Answer. Reserve accounts of this character may be raised by monthly charges to operating-expense accounts of sums estimated to be necessary for maintenance, but such charges should be adjusted annually to actual expenditures.

CASE 33.

Query. To what account should be credited old material released when equipment is condemned or destroyed?

Answer. Should be credited to the respective "Replacement" accounts.

CASE 34.

Query. To what account should be charged pay and expenses of employees allowed while attending inquests held by coroners?

Answer. To the appropriate "Injuries to Persons" account or accounts.

CASE 35.

Query. To what account should be charged rent of office for use of Claims Department in charge of injuries to persons and property other than freight and baggage?

Answer. Rents in such case should be considered as office expenses except when otherwise provided for.

CASE 36.

Query. In the case of a road owning one locomotive, the cost of which was charged to "Operating Expenses," should depreciation be computed and charged to operating expenses?

Answer. Yes; because otherwise current operating expenses would not be truly stated.

CASE 37.

Query. To what account should be charged the salary of fire chiefs?

Answer. To "Superintendence," under "Maintenance of Way and Structures."

Attention is called to Note B under that account.

CASE 38.

Query. To what account should be charged damages for overflows caused or alleged to be caused by inadequate waterways either in original construction or subsequent closing of waterways?

Answer. Appropriate "Maintenance of Way and Structures" accounts when for the carrier's own property, and "Damage to Property" when for property of others.

CASE 39.

Query. Should the cost of installing and operating interlocking or other signal apparatus at gravel pits be charged against the convenience account provided under the "Ballast" account?

Answer. Charge to "Ballast" clearing account.

CASE 40.

Query. Is it required that the regular charge to depreciation and credit to renewals shall be made on the roadbed?

Answer. No; not under present classification. Depreciation accounts for way and structures may, however, be kept as subaccounts if desired. In such case the names and descriptions of the subaccounts must be filed with the Interstate Commerce Commission. (*See Case 106.*)

CASE 41.

Query. To what account should be charged cost of cleaning car-cleaning yards (an expense resulting from the cleaning of cars)—to "Roadway and Track" or to "Train Supplies and Expenses?"

Answer. "Roadway and Track," under "Maintenance of Way and Structures."

CASE 42.

Query. To what account should be charged the expense of bonding rails in connection with signals and interlocking systems?

Answer. When chargeable to operating expenses, should be charged to account "Signals and Interlocking Plants," under "Maintenance of Way and Structures."

CASE 43.

Query. In reference to revenue and expense of commercial telegraph lines, please advise if we should include under that heading revenue and expenses from commercial telephone lines?

Answer. Revenue and expenses of commercial telephone lines should be treated the same as the revenue and expenses of commercial telegraph lines.

See Supplement effective on July 1, 1908, to the Classification of Operating Expenses for Steam Roads, Third Revised Issue. See also Supplement effective on July 1, 1908, to the Classification of Operating Revenues for Steam Roads, First Issue; and also Classification of Revenues and Expenses for Outside Operations for Steam Roads, First Issue, effective on July 1, 1908.

CASE 44.

Query. Third Revised Issue of the Classification of Operating Expenses, page 33, "Other Expenses" (subdivision of "Buildings, Fixtures, and Grounds"), reads:

"Cost of material used (less salvage) in repairing and renewing transfer tables," etc.

Should not the words "and labor expended" be inserted immediately preceding the word "in"?

Answer. The labor should follow the material, therefore the rule should be construed as suggested in the question.

CASE 45.

(Canceled. Refers to Equipment Borrowed and Loaned.)

CASE 46.

Query. Should not the word "operation" in the phrase "operation of joint facilities" in the notes on pages 40 and 58 of the accounts covering maintenance of joint tracks, equipment, etc., read "maintenance," and shall we so construe it?

Answer. The word "operation" is used in its broad sense, and should be construed to embrace maintenance or any other element of operating expense covered by such bills for joint operation.

CASE 47.

Query. It is observed that no provision is made in text for account "Freight-Train Cars—Repairs" for repairs to work cars used in commercial service. This company owns a large number of cars which it classifies as "ballast" cars, and which we constructed with the purpose of using in either work or commercial service. A large part of the time these cars are used in commercial service. Should not this class of equipment be treated as traffic cars?

Answer. If for a majority of the time the cars are used in commercial service they should be classified as commercial cars, regardless of the nature of the cars themselves.

CASE 48.

Query. Should charges to operating expenses be made for depreciation on equipment under a car trust which has not been fully paid for and to which title has not been acquired?

Answer. When equipment is bought under a trust agreement which provides that title to the equipment shall pass to the carrier after a certain number of payments have been made, depreciation charges should be set up on all such equipment as soon as it enters the service of the carrier.

CASE 49.

Query. As cars and locomotives will be broken up or set aside on different days of the month, and as new purchases will be made on various days within the month, it is going to be practically impossible to keep any accurate account of "Depreciation" according to days or fractions of a month. I would therefore ask what rule will be followed in making the monthly entries for "Depreciation" in case of equipment retired or purchased on various days within that particular month?

Answer. A full month's depreciation charge should be set up on all equipment in service on the first day of the month. Equipment coming into service after the first day of the month may be ignored in the depreciation charges for that month.

CASE 50.

(Canceled. Refers to Equipment Borrowed and Loaned.)

CASE 51.

(Canceled. Refers to Hire of Equipment.)

CASE 52.

Query. Is it correct for a switching road, whose cars seldom leave its own line, to charge to account "Hire of Equipment" the amount paid to other companies for the use of their equipment?

Answer. Yes.

CASE 53.

Query. To what account should we credit a bill made for engines and cars loaned at a daily rate to a contractor on construction work?

Answer. Should be credited to account "Hire of Equipment."

CASE 54.

Query. What is meant by the item near the top of page 43, "Special service, such as bringing locomotives to shops or watching them while on the way to shops for repairs" included in account "Steam Locomotives—Repairs?" Does this "special service" cover only the service of extra employees engaged in this connection, or does it include the pay of the engineer and fireman as well as additional employees engaged in the said "special service?"

Answer. By "special service" is meant the pay of engineers, firemen, and other employees bringing locomotives in need of repairs to shops or watching them pending their removal to or from shops. The pay of engineers and firemen on locomotives disabled in road service when able to complete the run to the terminal should be charged to "Road Enginenen." Consideration should be given in this connection to the account "Clearing Wrecks."

CASE 55.

Query. Classification of Operating Expenses, Third Revised Issue, page 47, under accounts: "Passenger-Train Cars—Renewals" and "Passenger-Train Cars—Depreciation," excludes parlor and sleeping cars, the operations of which are treated as "Outside Operations." To what account shall be charged renewals and

depreciation of parlor and sleeping cars, the operation of which is treated in Outside Operations?

Answer. The two accounts "Passenger-Train Cars—Renewals" and "Passenger-Train Cars—Depreciation" should be interpreted to correspond to the account "Passenger-Train Cars—Repairs," which excludes the general or shop repairs of parlor and sleeping cars whose operations are treated as Outside Operations.

See Supplement effective on July 1, 1908, to the Classification of Operating Expenses for Steam Roads, Third Revised Issue.

CASE 56.

Query. At various junctions on our car lines, a system of joint car inspection is in force, our line paying the total expenses and rendering bills against other lines interested. Should this expense be charged to "Freight-Train Cars—Repairs" by line carrying men on its rolls and same account credited for bills rendered?

Answer. Yes.

CASE 57.

Query. Do the two accounts following "Electric Equipment of Cars—Repairs," on page 49, refer to electrically propelled cars?

Answer. They do.

CASE 58.

Query. (a) Does the account "Power Plant Equipment" apply only to power plants for generating power for propulsion of locomotives, trains, and cars, or does it include the electric equipment in an electric power plant used for other purposes? (b) If intended to cover only power plants for propulsion of locomotives, trains, and cars, to what account should be charged electric machinery, with appliances, in a separate power plant used for operating machinery in shops, when used for shop purposes only?

Answer. (a) Applies only to power plants for generating power for propulsion of locomotives, trains, and cars.

(b) When chargeable to operating expenses should be charged to "Shop Machinery and Tools."

CASE 59.

Query. (a) Referring to accounts, "Power Plant Equipment" and "Operating Power Plants," in the Classification of Operating

Expenses, does "Power Plant Equipment" under "Maintenance of Equipment" cover the maintenance of power plants at shops generating electricity for running equipment, or is the account intended to cover the cost of maintaining power plant used to furnish electricity to electric railways only? (b) If the latter, should the cost of operating power plant in furnishing electricity for operating machinery be charged to account "Shop Machinery and Tools?"

Answer. (a) It is restricted to power plant furnishing current for propulsion of locomotives, trains, and cars.

(b) The cost of operating power plant furnishing current for operating shop machinery should be charged to the clearing account "Shop Expenses."

CASE 60.

Query. Should the cost of power at shops be charged to clearing account "Shop Expenses?"

Answer. Yes; the cost of power for all shop purposes should be charged to this account.

CASE 61.

Query. The text for clearing account "Store Expenses" provides that the account should be closed out at the end of the year. Should not a balance be carried over to next year representing cost of handling material in stock at end of year?

Answer. No.

CASE 62.

Query. To what account should be charged the salaries of chief special agents and their assistants who have police powers and have charge of yard watchmen, of employees investigating robberies and other depredations, and the preparation of evidence to be used in court cases where arrests have been made by the company?

Answer. To "Superintendence," under "Transportation Expenses."

Attention is called to Note under this account.

CASE 63.

Query. To what account should be charged the pay of telegraph operators located at towers whose duties are to receive orders

from dispatchers, in connection with train movement, and deliver them to the engineer and conductor?

Answer. To "Dispatching Trains."

CASE 64.

Query. At certain stations no regular agent is maintained, but local storekeeper or postmaster acts in that capacity, being paid commission based on tickets sold and local freight charges on shipments to and from respective stations. To what accounts are such compensations chargeable?

Answer. To "Station Employees."

CASE 65.

Query. To what account should be charged the payments to warehouse companies or contractors for loading or unloading freight under contract or otherwise?

Answer. To "Station Employees," if not in connection with "Outside Operations."

CASE 66.

Query. We note in Classification of Operating Expenses, effective July 1, 1907, page 64, "Station Employees," "Labor at Stations" includes employees at coal-dock terminals. Page 65, "Coal and Ore Docks," includes pay of employees at coal and ore docks. Is there not an apparent conflict and should there not be some explanation?

Answer. This matter is covered by note at top of page 65 of the Official Classification of Operating Expenses.

CASE 67.

Query. In reference to stock yards and the Classification of Operating Expenses: "Station Employees" includes "loading, unloading, feeding, and watering stock, labor at stock yards (other than repairs)." The account "Station Supplies and Expenses" includes "feed and water for stock when carrier is responsible." The account "Stock Yards and Grain Elevators" includes "pay of employees and cost of supplies and all other expenses incurred in operating stock yards or grain elevators which are not operated as "Outside Operations." Kindly advise us what class of expenses in connection with stock yards we should charge to

"Station Employees" and "Station Supplies and Expenses" and what to "Stock Yards and Grain Elevators."

Answer. The words "stock yards" under "Station Employees" refer to stock pens. "Stock Yards and Grain Elevators" under "Transportation Expenses" is eliminated from Official Classification of Operating Expenses, as the expenses enumerated thereunder when not chargeable to "Outside Operations" are provided for under "Station Employees" and "Station Supplies and Expenses."

See Supplement, effective on July 1, 1908, to Classification of Operating Expenses for Steam Roads, Third Revised Issue.

CASE 68.

Query. To what account should be charged the cost of supplies used in switch lamps at points where no regular switching service is maintained?

Answer. To account "Station Supplies and Expenses."

CASE 69.

Query. To what account should be charged expenses of engines and crews engaged in assembling loads from mines to points of concentration and distributing empties to mines?

Answer. If freight is billed from the point of concentration, the expense of handling the cars between the mines and this concentrating point should be charged to the appropriate yard service accounts. If, however, the freight is billed from the mines, then the entire service should be classed as road service.

CASE 70.

(Answer not finally approved. *See Accounting Series Circular No. 12b.*)

CASE 71.

Query. I have in mind an instance where the train leaves C in the morning, makes a trip to D, 30 miles distant, and switches at that point about eight hours, then brings the train back to C. How should the service of such a train crew be divided?

Answer. Expenses to be divided on basis of service performed.

CASE 72.

Query. We also have, as does practically every other railroad company, way freight and pick-up trains, where a crew will be

allowed practically twice as much pay as the ordinary road crew and the service will be about twice as expensive, owing to the switching performed at various points on the line. Is it proper to charge the extra expenses to "Road" service?

Answer. Yes.

CASE 73.

Query. To what accounts should be charged the wages of motormen operating a gasoline motor car intended to be used for passenger service between two stations where it is not practicable to have daily train service; also to what account should be charged supplies furnished this car?

Answer. Wages of employees engaged in running revenue-service locomotives or motor cars other than electric should be charged to "Road Enginemen."

Cost of fuel and other supplies furnished to the motor cars in revenue service should be charged the same as cost of fuel and other supplies for road locomotives; the repairs to the locomotive feature of such cars should be charged to "Steam Locomotives—Repairs," and the repairs to the car feature should be charged to "Passenger-Train Cars—Repairs."

CASE 74.

Query. A railway company is furnished by a connecting line with a tank of water and has its locomotive turned. The connecting line makes a charge for the water of 50 cents, turning of locomotive 50 cents, and temporary use of track \$1. Should this expense be charged to "Train Supplies and Expenses?" If not, how shall it be distributed?

Answer. Water should be charged to "Water for Road Locomotives," turning of locomotive to "Enginehouse Expenses—Road," and temporary use of track to "Train Supplies and Expenses." Amount received for water should be credited to "Water for Road Locomotives," amount received for turning locomotive credited to "Enginehouse Expenses—Road," and amount received for temporary use of track to Revenue Account No. 19, "Miscellaneous."

CASE 75.

Query. To what account should be charged fuel for sand driers?

Answer. To account "Other Supplies for Road Locomotives," in accordance with Note B under that account.

CASE 76.

Query. To what account should be charged the cost of labor and material expended in lubricating switches and signals?

Answer. Should be charged to "Interlockers and Block and Other Signals—Operation," except at terminals, when the labor should be charged to "Yard Switch and Signal Tenders," and the material to "Yard Supplies and Expenses."

See Supplement effective on July 1, 1908, to the Classification of Operating Expenses for Steam Roads, Third Revised Issue.

CASE 77.

Query. To what account should penalties imposed for failure to furnish cars under reciprocal demurrage laws be charged?

Answer. To "Other Expenses" under "Transportation Expenses."

CASE 78.

Query. To what account should be charged payments for damages for ejectment of passengers from train?

Answer. To "Injuries to Persons" under "Transportation Expenses."

CASE 79.

Query. To what account should be charged payment for damages because of failure of passenger train to stop at station to pick up passenger?

Answer. To "Other Expenses" under "Transportation Expenses."

CASE 80.

Query. To what account should be charged amounts paid for switching passenger equipment?

Answer. To appropriate revenue accounts when in revenue service.

CASE 81.

Query. To what account should be charged switching charges paid other carriers for moving empty equipment, as follows:

1. When delivered to a connecting carrier to be placed for loading, for which a charge is exacted in addition to that made for returning the car loaded.

2. When delivered to a connecting carrier to be placed for unloading; and when the empty is returned, a charge is made therefor in addition to that made for the movement of the load.

3. When equipment, under load, has been switched to a designated point by a connecting carrier for a consideration and the car has been loaded, it is then ordered switched to another industry in the yards of the switching carrier to be loaded for a point on the line of the carrier who made delivery to the switching carrier in the first instance, a charge being made for the movement of the empty, in addition to that made for delivering the car when loaded to the carrier for whom it was received in the first instance.

4. When a carrier, instead of maintaining facilities for performing the switching service, for which it makes no specific charge, hires some one else to do it in lieu of doing the work itself.

Answer. To Revenue Account No. 1, "Freight Revenue."

CASE 82.

Query. Are salaries and expenses of president and his clerks and assistants chargeable to "General Expenses," or distributed to "Maintenance of Way and Structures," "Maintenance of Equipment," "Transportation Expenses," "Traffic Expenses," and "General Expenses?"

Answer. If the president is also directly in charge of the departments usually supervised by officials named in the accounts "Superintendence" under "Maintenance of Way and Structures," "Maintenance of Equipment," "Traffic Expenses," and "Transportation Expenses," his salary and expenses and those of his clerks and assistants should be apportioned as set forth in Note B under the account "Salaries and Expenses of General Officers" under "General Expenses." If the president has, as is usual, only general supervision over the various departments, his salary and expenses should be charged to the account "Salaries and Expenses of General Officers."

CASE 83.

Query. How should the revenue derived from the transportation of milk waybilled be classified when handled—

(a) In solid trains which have first-class rights same as passenger trains?

(b) In trains which have accommodations for passengers?

Answer. Carriers will be permitted to keep the revenue from milk in their earnings under Account No. 1, "Freight Revenue."

and Account No. 7, "Milk Revenue (on passenger trains)," provided they treat train statistics in the same class as they do these earnings.

CASE 84.

Query. Proceeds from sale of local mileage tickets are creditable to Operating Revenues when sales are made. How shall such proceeds be apportioned among States, especially to States in which taxes are assessed on gross earnings?

Answer. Local mileage may be credited to Account No. 2, "Passenger Revenue," as used.

CASE 85.

Query. When a train is chartered for a guaranteed lump sum and tickets are sold to protect the guarantor against the use of the train by unauthorized passengers, should the entire amount of the guaranty, including the proceeds of the sale of individual tickets, be credited to Account No. 10, "Special Service Train Revenue?"

Answer. The amount received from the sale of tickets should be credited to Account No. 2, "Passenger Revenue;" the amount, if any, paid by the guarantor under the guaranty should be credited to Account No. 8, "Other Passenger-Train Revenue."

CASE 86.

Query. To what account shall coupons found in the covers of interchangeable mileage books returned for redemption be credited?

Answer. Unpresented coupons covering transportation for which the company has not performed service should be credited to Account No. 8, "Other Passenger-Train Revenue." (*See Case 261.*)

CASE 87.

Query. We have an arrangement with a company operating a mine located on our line whereby they guarantee that the earnings of a certain train that we run each morning shall be equivalent to 100 tickets at 5 cents each, or \$5. If we collect over 100 tickets, that settles the matter. If we do not, we call upon them for the difference between the amount we collect and \$5. To

what account should we credit this deficit which the mine is called upon to pay from time to time?

Answer. To Account No. 8, "Other Passenger-Train Revenue."

CASE 88.

Query. Referring to Account No. 3, "Excess Baggage Revenue," in the Classification of Operating Revenues prescribed by the Interstate Commerce Commission, I write to inquire if it is contemplated that the revenues to be entered under this heading should be restricted to those derived from carrying baggage, packages, articles, dogs, etc., belonging to passengers, or whether it should include also revenues derived from carrying packages and other things not incident to the carrying of passengers, such as amounts paid by newspaper publishers for carrying and distributing daily papers?

Answer. Revenue derived from carrying, in baggage cars, packages and other things not incident to carrying passengers should be credited to Account No. 8, "Other Passenger-Train Revenue."

CASE 89.

Query. To what account should be credited amounts of unclaimed penalty collections on train and unclaimed redeemable portions of mileage tickets and credentials?

Answer. To Account No. 8, "Other Passenger-Train Revenue." (See Case 261.)

CASE 90.

Query. A mining company guarantees a certain amount of revenue on passenger trains. To what account should deficit paid by guarantors be credited?

Answer. The deficit collected from the guarantors should be credited to Account No. 8, "Other Passenger-Train Revenue."

CASE 91.

Query. Will switching include the amount received for a short movement between, say, two sidings within the territory under the control of one agent?

Answer. Yes.

CASE 92.

Query. To what account should charges for reconsigning and milling in transit be credited?

Answer. Where a charge for milling in transit or reconsigning is made in connection with or as a part of the through rate, such charge should be credited to Account No. 1, "Freight Revenue;" but when the charge is made separate from the through rate and can not be considered as any portion thereof, it should be credited to Account No. 11, "Miscellaneous Transportation Revenue."

CASE 93.

Query. An industrial company guarantees that its monthly payments for freight shall not be less than a certain minimum. In the event of a deficit, which is collected by the railway company, to what account should collection be credited?

Answer. To Account No. 11, "Miscellaneous Transportation Revenue."

CASE 94.

Query. To what account should charges for "Stop Off" be credited?

Answer. Where a charge for stop-off privilege is made in connection with or as a part of the through rate, such charge should be credited to Account No. 1, "Freight Revenue;" but when the charge is made separate from the through rate and can not be considered as any portion thereof, it should be credited to Account No. 11, "Miscellaneous Transportation Revenue."

CASE 95.

Query. To what account should be credited receipts for service rendered by a commercial telephone line?

Answer. See answer to Case 43.

CASE 96.

Query. With reference to the new Classification of Operating Expenses, I shall be obliged if you will give me your interpretation of a contract which we have recently made with a lumber and manufacturing company under which we gave that company the right to operate their logging trains over a portion of a gravel-pit track. In view of the fact that the lumber company is not a common carrier and will not report to the Commission, is it desired that the rent which covers in a lump sum the rent and maintenance should be treated under the Income account as a

rent or should a portion of the amount be credited to "Maintenance of Way and Structures" account "Maintaining Joint Track, Yards, and Other Facilities—Cr.?"

Answer. Such revenue should be credited to Revenue Account No. 18, "Rents of Buildings and Other Property."

CASE 97.

Query. To what account should be credited rent of space for lunch counter in passenger station?

Answer. To Account No. 18, "Rents of Buildings and Other Property."

CASE 98.

Query. What appropriate accounts are meant by last two words in note under Account No. 19 of Classification of Operating Revenues?

Answer. The words "appropriate accounts" refer to the proper "Joint-facilities" accounts in "Operating Expenses" and "Rent" accounts under "Income."

CASE 99.

Query. To what account should be credited the amount of commissions received by the carrier for collecting premiums on insurance policies, etc., from employees?

Answer. To Account No. 19, "Miscellaneous."

CASE 100.

Query. In Classification of Expenditures for Road and Equipment is it contemplated that Account No. 1, "Engineering," shall include the salaries of engineers specially employed to work on plans for steel bridges, docks, and wharves?

Answer. Yes.

CASE 101.

Query. Is it permissible to charge discount on bonds sold for construction purposes to Account No. 47, "Interest and Commissions" of the Classification of Expenditures for Road and Equipment?

Answer. No. See Case 19.

CASE 102.

Query. Account No. 7 of the Classification of Expenditures for Road and Equipment reads in part, "and other ties and railway crossing timbers." Are not railway crossing timbers also provided for in Account No. 15, "Crossings and Signs?" To which account should such timbers be charged?

Answer. Account No. 15, "Crossings and Signs," does not refer to railway crossings.

CASE 103.

(Answer not finally approved. See *Accounting Series Circular No. 12b.*)

CASE 104.

(Answer not finally approved. See *Accounting Series Circular No. 12b.*)

CASE 105.

(Answer not finally approved. See *Accounting Series Circular No. 12b.*)

CASE 106.

Query. Are carriers at liberty to set up depreciation accounts for the primary accounts under the general account "Maintenance of Way and Structures?"

Answer. No depreciation accounts have been prescribed by the Interstate Commerce Commission except those affecting the seven classes of equipment specifically named. It is recognized, however, that other classes of railway property are subject to depreciation, and carriers are permitted to set up subprimary accounts covering depreciation, provided that in so doing their accounts conform to the provisions of the order, dated June 3, 1907, prescribing the Classification of Operating Expenses, Third Revised Issue. In such cases the names and descriptions of such subaccounts must be filed with the Interstate Commerce Commission.

CASE 107.

Query. Is it the intention of the Commission that carriers may charge a certain percentage of depreciation on the original cost of equipment, regardless of where the equipment when new was

charged, and regardless of the amount written off for depreciation, or may carriers accept the present book value of equipment as the basis of the depreciation charges?

Answer. Depreciation should be charged on all the equipment in service on July 1, 1907, regardless of where charged when new, according to the rules laid down in paragraph 3, page 10, of the Classification of Operating Expenses, Third Revised Issue.

CASE 108.

Query. From instructions contained on pages 10, 11, and 12 of Classification of Operating Expenses in reference to the subject of depreciation on equipment, it might be interpreted that renewals and depreciations should be set up in separate replacement accounts for the several classes of equipment referred to on page 11, "(a)" to "(f)," inclusive, and that to the individual accounts should be charged, respectively, the purchase price of the several classes of equipment.

Answer. The instructions referred to should not be construed as precluding the use of the reserve created by depreciation charges on one class of equipment for the purchase or replacement of other classes of equipment; it is, however, desired that the books of the carrier should show at all times the amount accumulated on and the amounts expended for each class of equipment.

CASE 109.

Query. What rate per cent should be charged as depreciation on the several classes of equipment for which depreciation charges are required?

Answer. The Classification of Operating Expenses promulgated by the Commission does not state the specific per cent to be charged for depreciation on any class of equipment, for the reason that the conditions under which equipment is used vary so greatly that no uniform rate of depreciation for all roads could be reasonably determined. The proper rate will, of course, vary inversely with the life of the property to which it pertains, and its determination must take into consideration whatever affects the life of the property. Each reporting officer should determine the rate to be used according to such experience tables as he may be able to construct from equipment records.

CASE 110.

(Refers to additions and betterments. See *Accounting Series Circular No. 12b.*)

CASE 111.

Query. With all railroads it is quite necessary to have what perhaps might be termed an "Open Bill" account to take care of bills due from individuals and others for work performed either in the transportation or some other department rather than to credit such bills when made to different "Operating" accounts. Is it permissible to continue such an account?

Answer. Such an account may be continued, provided it does not infringe upon any of the prescribed accounts.

CASE 112.

Query. The Official Classification calls for a "Replacement Credit" account which includes depreciation and renewal of equipment. The X Railway Company is required under agreement with the Z Company to provide other equipment for that destroyed or sold or else pay the equivalent in cash to the Z Company to purchase equipment to replace that destroyed or sold. Is it permissible to keep a "Dismantled Equipment" account wherein to show the exact amount due the Z Company because of dismantled and sold equipment?

Answer. Such an account may be kept, provided it does not in any way infringe upon the accounts prescribed.

CASE 113.

Query. Donations to local fire departments along the line of our road for their services in assisting at fires have been charged to "General Expenses—Other Expenses," account services rendered covering buildings, equipment, and other property. Is this proper?

Answer. Yes.

CASE 114.

Query. Our company acquires the right to enter upon certain land and remove ballast. Should an account called "Operations of Gravel Pit at ———" be opened to cover this?

Answer. The amount paid for the rights should be charged to a clearing account, which may be appropriately designated as indicated.

CASE 115.

Query. At what time in the construction of a road is it required that the accounts be changed from "Classification of Expenditures for Road and Equipment" to "Classification of Operating Expenses" and "Classification of Operating Revenues?"

Answer. Accounting according to the Classifications of Operating Revenues and Operating Expenses should begin with respect to any particular portion of a road as soon as that portion has reached such a stage of completion that the commercial operations are the main portion of the business carried on over such portion; that is to say, so long as the commercial operations are only incidental, it is not required that they be treated through the accounts provided in the Classifications of Operating Revenues and Operating Expenses. It must be considered, however, that as soon as trains begin running regularly over any portion of the tracks, it is then appropriate to keep account of the disbursements and receipts for such portion of the road through the "Operating Expense" and "Operating Revenue" accounts. However, it should be understood that any expenditures for unfinished construction work should be charged to "Expenditures for Road and Equipment."

CASE 116.

Query. The A B Railway Company owns and maintains an interlocking plant at ————. The Y Z Railway Company uses this interlocking plant jointly with the A B Railway Company and pays interest rental on same and a proportion of maintenance and operation. Is the following method of disposing of the above charges to the Y Z Railway Company correct? Interest to "Rents Paid" under "Income" account; maintenance to "Maintaining Joint Tracks, Yards, and Other Facilities—Dr.;" operation to "Operating Joint Yards and Terminals—Dr.?"

Answer. Interest to "Rents Paid" under "Income Account;" maintenance to "Maintaining Joint Tracks, Yards, and Other Facilities—Dr.;" operation, according to location, to "Operating Joint Yards and Terminals—Dr.," or to "Operating Joint Tracks and Facilities—Dr."

CASE 117.

Query. A number of connecting lines charge this company a proportion of cost of operating joint interlockers, and credit "Maintenance of Joint Tracks, etc.," and we make similar bills against other lines. Should the expense be charged and credited as above?

Answer. If these joint interlockers are located at terminals, the carrier's proportion of cost of operation, when operated by other companies, should be charged against the account "Operating Joint Yards and Terminals—Dr." If located at points other than at terminals, the proportion of cost of operation should be charged to the account "Operating Joint Tracks and Facilities—Dr.," the caption of this account being amended as above, and the text modified accordingly, by the Supplement to the Third Revised Issue of the Classification of Operating Expenses. If bills cover expense of maintenance as well as expense of operating, the proportion of expense of maintenance should be charged against the account "Maintaining Joint Tracks, Yards, and Other Facilities—Dr." The road rendering bills should credit the corresponding Joint-facilities accounts. (See Case 275.)

CASE 118.

Query. Other lines have rendered bills against this company for proportion of salaries and other expenses of joint agencies, which have been credited to "Joint Tracks, Terminals," etc., and we make similar bills against other companies. Is the above classification correct, or should the same be charged and credited to "Station Employees," etc.?

Answer. With regard to the treatment of salaries and other expenses of joint agencies not within the definition of "Joint Facilities" contained in Accounting Series Circular No. 14, see the paragraph at the middle of page 2 of that circular. (See Case 193.)

CASE 119.

Query. Where an express company pays a fixed amount annually for express privileges over a road, including facilities at stations, etc., should any part of this be applied to Account No. 18, "Rents of Buildings and Other Property?" If so, how shall we arrive at the proportion?

Answer. When contracts do not provide specific separate amounts for rentals of facilities at stations, the entire fixed annual compensation should be credited to Operating Revenues, Account No. 6, "Express Revenue."

CASE 120.

Query. How shall payments for trackage rights be disposed of when made upon the basis of a stipulated sum per ton or per passenger, or upon the basis of a proportion of revenue accruing upon the transportation over the line covered by the trackage rights, or upon the basis of a fixed sum per year?

Answer. The payments should be apportioned by agreement of the parties into two parts, one of which is estimated to cover the maintenance and operation costs in respect of the traffic of the lessee, which portion shall be passed through the appropriate "Joint-facilities" accounts in Operating Expenses. The remaining portion should be charged by the lessee to appropriate rent accounts under "Income" account and credited by the lessor to appropriate rent accounts under "Income" account.

CASE 121.

Query. A carrier pays another road a certain sum per annum for trackage rights at a station, the charges being based on a percentage of the value of the property, the debtor company owning no interest in said property. To what account shall the debtor road charge the bill?

Answer. If the debtor company bears in addition to such sum its proportion of maintenance and operating charges, the percentage of value is a case of pure rent, and the creditor company should credit this percentage to appropriate rent accounts under "Income" account, and the debtor company should charge it to appropriate rent accounts under "Income" account. Otherwise the total charge should be apportioned by agreement of the parties into two parts, one of which shall cover, and only cover, the element of operation and maintenance, this portion to be charged and credited to the appropriate "Joint-facilities" accounts in Operating Expenses. The remaining portion is a pure rent, to be passed direct to the appropriate account under "Income" account.

CASE 122.

Query. Should amounts paid as license fees to cities for sidings on, along, or across streets be charged to "Taxes" or to "Rents"?

Answer. These fees are evidently paid to the city because the railway company occupies public property. They are thus in the nature of rents paid to a private landlord and should therefore be charged to appropriate rent accounts under "Income" account.

CASE 123.

(Canceled. Refers to Equipment Borrowed and Loaned.)

CASE 124.

(Duplicate of Case 53.)

CASE 125.

Query. Should all payments made for hire of equipment be disposed of through the account "Hire of Equipment"?

Answer. Yes. If for any reason it is desired to show separately the particular equipment concerned in a special case, this may be done through a subaccount.

CASE 126.

Query. Is the "Hire of Equipment" account applicable to switching roads?

Answer. Yes.

CASE 127.

Query. To what account should rent of lands and other property not used in the operation of the road or in outside operations be credited?

Answer. To appropriate rent accounts under "Income" account.

CASE 128.

Query. We have before us a bill against an estate for permission to cross our right of way with a sewer pipe, and another one against a telephone company for permission to cross over our tracks with a telephone line. How should these matters be considered? We reserve the right to revoke the permission at our pleasure.

Answer. The thing given is a mere license, and the receipt therefor may properly be credited to an appropriate account under "Income" account.

CASE 129.

(Canceled. Refers to Equipment Borrowed and Loaned.)

CASE 130.

Query. The A. & B. Railway Company renders bills against other roads for transferring cars at various points, made necessary by the fault of the road billed against, such bills including actual cost of transfer and per diem or car-hire charge accruing on the car during the time of such transfer. Would it be proper to credit items of this kind to account "Hire of Equipment"?

Answer. The portions of these bills covering per diem and car-hire charge accruing on the car at time of such transfer should be credited to the account "Hire of Equipment." The remainder of the bill should be treated as a "Switching Revenue." For the case where the load has to be transferred, see Case 131.

CASE 131.

Query. Our company renders the bills against other roads for transferring cars at various points, made necessary by the fault of the road billed against. A portion of each bill covers per diem and car hire accruing on the car at time of transfer, and the remainder of each bill covers, first, cost of transferring the car, and, second, a switching charge of \$1 per car for each car transferred. Please advise proper disposition of this matter.

Answer. The portions of these bills covering per diem and car hire accruing on the car at time of transfer should be credited to the account "Hire of Equipment." The portions of the bills covering the cost of transferring the contents of cars should be credited to the expense account "Station Employees." The \$1 per car for switching such bad-order cars may be credited to revenue Account No. 9, "Switching Revenue."

CASE 132.

(Refers to additions and betterments. See *Accounting Series Circular No. 12b.*)

CASE 133.

Query. Our company grants the privilege to certain other railroad companies to transfer their trains over a portion of its tracks, for which we charge a certain rate per car. These trains are not handled by the locomotives of our company, but we maintain and repair the tracks over which the trains move. How shall we treat this revenue?

Answer. The amounts thus received are gross rents and should be treated in accordance with the rule indicated in Case 17.

CASE 134.

(*Answer* not finally approved. *See Accounting Series Circular No. 12b.*)

CASE 135.

(*Answer* not finally approved. *See Accounting Series Circular No. 12b.*)

CASE 136.

Query. We operate a number of restaurants at various points on our line for the purpose of furnishing meals to patrons of the road. Recently we leased some of these restaurants at a nominal consideration, the lessee to have all receipts and pay all expenses, except that our company is to furnish coal and ice. We treat the restaurants operated by the railway company as outside operations and it is our intention to treat these expenditures for coal and ice for the leased restaurants as outside operations. May we do so?

Answer. Such leased restaurants are not operations as defined in the Introductory Letter to Classification of Revenues and Expenses for Outside Operations; i. e., no service is operated at them by the carrier; and therefore the cost of coal and ice furnished the lessee should not be charged to Outside Operations, but should be charged to Operating Expenses, Account No. 66, "Station Supplies and Expenses."

CASE 137.

Query. We should like to have an illustration of what would be termed a "rail-line expense" in connection with floating equipment as provided in the text to the account "Transportation Expenses"—"Operating Floating Equipment," page 78 of the Official Classification, in order to distinguish between that account and the Outside Operations account.

Answer. The account "Operating Floating Equipment" under "Transportation Expenses" is designed to cover the cost of operating floating equipment operated in connection with the carrier's transportation operations, such as car ferries, in lieu of a bridge or tunnel, etc.

CASE 138.

Query. I notice that sleeping cars are not listed among the cars classified as passenger-train cars in Note A under the account "Passenger-Train Cars—Repairs." Please advise if this was an omission or if it was the intention to make some other disposition of the case of repairs to sleeping cars.

Answer. Sleeping cars were omitted from the list of passenger-train cars because they should be treated as outside operations. All general or shop repairs to sleeping cars should be treated through Outside Operations, ordinary running repairs being charged to "Passenger-Train Cars—Repairs."

CASE 139.

Query. When our right-of-way agents purchased the right of way for our line we were compelled to buy quite a number of houses in order to get the lots through which our line was expected to run. When grading was commenced these houses were removed from the right of way thus purchased. As soon as we came into possession of these houses we rented them and have always reported such earnings in the Miscellaneous Income Account in our annual report to the Interstate Commerce Commission. In the Official Classification of Operating Revenues I fail to find any provision made for such income in Accounts Nos. 18 and 19. The houses that I have reference to are in no way used in the operation of the road. Please advise to what account such earnings should be credited.

Answer. Rents received from rent of buildings and other property not included in the operation of a road should be credited to an appropriate rent account under "Income" account.

CASE 140.

Query. This company purchased property, apart from right of way, upon which to erect a dwelling for the occupancy of the superintendent of motive power, taking the title thereto in the name of our vice-president, who filed with us a declaration of trust. How shall we classify this expenditure?

Answer. This expenditure should be charged to Account No. 3, "Real Estate," under Expenditures for Road and Equipment.

CASE 141.

Query. We own several houses not on the right of way of the company and are in doubt as to which account should be credited with these rents. Please inform us.

Answer. Rents received from rent of buildings and other property not included in the operation of a road should be credited to an appropriate rent account under "Income" account.

CASE 142.

Query. I note in "Outside Operations"—"Cold-Storage Plants," that such covers the operations of railway cold-storage plants for the use of which specific charges are made or allowances included in through rates. We charge our tenants in our warehouses a stated price per cubic foot per annum for refrigeration. Should this amount be credited to "Cold-Storage Plants"?

Answer. If the refrigeration operations can be treated satisfactorily as an outside operation—that is to say, if a fairly accurate determination of the cost of maintaining and operating such refrigeration operations can be made—the amounts charged tenants for refrigeration in warehouses should be credited to "Outside Operations"—"Cold-Storage Plants."

CASE 143.

Query. We have tug and barge lines carrying coal from Z Harbor points to points on the Y coast. May these be treated as outside operations; and if so, in which of the accounts proposed?

Answer. Yes; through "Outside Operations"—"Boat Lines."

CASE 144.

(Refers to Additions and Betterments. See *Accounting Series Circular No. 12b.*)

CASE 145.

(Refers to Additions and Betterments. See *Accounting Series Circular No. 12b.*)

CASE 146.

(Refers to Additions and Betterments. *See Accounting Series Circular No. 12b.*)

CASE 147.

Query. Is it proper to charge betterments to locomotives to the account "Locomotives—Replacement?" What I have particular reference to is the equipping of some of our freight locomotives with electric headlights.

Answer. Additions and betterments to equipment may be charged to the appropriate Equipment Replacement accounts.

CASE 148.

(Refers to Additions and Betterments. *See Accounting Series Circular No. 12b.*)

CASE 149.

(Refers to Additions and Betterments. *See Accounting Series Circular No. 12b.*)

CASE 150.

(Refers to Additions and Betterments. *See Accounting Series Circular No. 12b.*)

CASE 151.

(Refers to Additions and Betterments. *See Accounting Series Circular No. 12b.*)

CASE 152.

(Refers to Additions and Betterments. *See Accounting Series Circular No. 12b.*)

CASE 153.

Query. What account should be charged with obsolete material which is taken out of stock and sold as scrap?

Answer. The loss on such material should be adjusted in the next inventory account. (*See Case No. 9.*)

CASE 154.

Query. Our organization includes a stationer and a small force who, under the jurisdiction of the purchasing agent, buy the sta-

tionery supplies, distribute same on requisitions, and keep the stationery stock. To what account should the salaries be charged?

Answer. The stationer and his force bear the same relation to "Stationery and Printing" that the storekeeper and his force do to "General Stores," and should be treated through a clearing account analogous to "Store Expenses."

CASE 155.

Query. Note B, under "Ties," page 24 of the Official Classification of Operating Expenses, reads as follows: "This account may include each month a proportion of the total amount authorized or approximated for renewals during the fiscal year, regardless of the month in which the actual renewal is made." Are we authorized to handle in the same way our charges to "Injuries to Persons," "Stationery and Printing," and "Loss and Damage?" On account of the fluctuating charges of the above accounts we have, in the past, been making an estimated charge each month, adjusting the total at the end of the year to an actual basis for the twelve months. This has been done by running the items through a Suspense Account. The actual charges to these accounts vary to a large extent. For instance, we may have a charge to "Injuries to Persons" in one month of \$25,000 and the next month of but \$3,000.

Answer. The method proposed above for handling charges to "Injuries to Persons," "Stationery and Printing," and "Loss and Damage" accounts is satisfactory, provided that the charges be adjusted annually as far as practicable. Reserves should be held until liabilities are paid.

CASE 156.

(Answer not finally approved. See *Accounting Series Circular No. 12b.*)

CASE 157.

Query. We put in a great number of sidings and spur tracks each year to serve mines and lumbermen, which tracks are only temporary. We have been charging all new track material, such as rails, angle bars, and switches, direct to "Capital" account, and the ties, spikes, labor of grading, track laying, and surfacing to "Operating Expenses" when the track is put in. If old rails, angle bars, and switches are used no charge is made. We now

ask to be allowed to charge the cost of such temporary tracks (except track material) direct to "Operating Expenses." Is this permissible?

Answer. Until otherwise instructed the disposition above proposed is permissible.

CASE 158.

Query. In conducting business in the transportation of iron ore from mines a company is continually obliged to install mine tracks at mines to reach stock piles and ore bodies, these tracks being continually relocated and removed. How shall we consider the cost of installing and changing these tracks, and may we establish new primary accounts to cover this?

Answer. It is proper to consider the cost of relocating and changing these tracks to stock piles and ore bodies an operating expense. It is not permissible to set up new primary accounts. Subprimary accounts under the various primary accounts promulgated may be set up in accordance with the order of the Interstate Commerce Commission of June 3, 1907, relative thereto.

CASE 159.

Query. Referring to primary accounts "Maintaining Joint Tracks, Yards, and Other Facilities—Dr." and "Maintaining Joint Tracks, Yards, and Other Facilities—Cr.," and so on, does the word "joint" indicate joint ownership of the property?

Answer. No. The word "joint" indicates merely joint benefit and does not require joint ownership.

CASE 160.

Query. The A B Railway Company owns a certain mileage, 21 miles of which is operated jointly with the X Y Railway Company. Formerly the A B Company made all pay rolls, etc., on its blanks, billing against the X Y Company for its proportion of maintenance and operation on a wheelage basis. Later, on account of change of location of certain of the X Y Company's offices, it operated this joint territory and billed against the A B Company for its proportion of cost of maintenance and operation on a wheelage basis. The A B Company heretofore billed against the X Y Company for its proportion of the rent, based on the interest on one-half of the cost of the property used jointly. How shall this matter be disposed of on the present basis?

Answer. The detailed accounting for the operating expenses of this particular portion of tracks should be carried through the operating expense accounts of the X Y Railway Company, and the A B Railway Company's portions of these charges be credited by the X Y Company to the "Joint-facilities" creditor accounts and charged by the A B Company to the like-named debtor accounts. The interest upon one-half of valuation is a pure rent to be carried direct to "Income" account.

CASE 161.

Query. A carrier pays another road a monthly proportion of expenses of operating and maintaining a station and yards, the debtor company owning none of the property. To what account shall the debtor charge the bill?

Answer. The operating carrier should credit the monthly proportion of expenses of operating and maintaining station and yards to the appropriate "Joint-facilities" accounts and the debtor company should charge to the like-named debtor accounts. The maintenance account will be "Maintaining Joint Tracks, Yards, and Other Facilities;" the operating account will be "Operating Joint Yards and Terminals."

CASE 162.

Query. According to the Classification of Operating Expenses, is it proper to charge to renewals only the authorized or approximated amounts for renewals during the fiscal year, or are we allowed to handle this account in such manner as to provide for a period beyond the fiscal year?

Answer. "Operating Expenses" of any fiscal year should bear only such portion of appropriations for renewals as is necessary to provide for exact maintenance during that year. They should not be charged with any amount the expenditure of which goes to improve the property, or to provide for maintenance during later years.

CASE 163.

Query. Note A, under "Ballast," page 23 of the Classification of Operating Expenses, states that the cost of loading cinders at ash pits should be charged to account "Enginehouse Expenses—Yard," or "Enginehouse Expenses—Road." I presume that this note contemplated that the cinders would be loaded by engine-

house employees, while, as a matter of fact, the loading is often done by roadway employees. In case where this labor is performed by the roadway department, will it not be permissible for us to charge the expenses to "Ballast" instead of to "Engine-house Expenses?"

Answer. No; the charge should be made to "Enginehouse Expenses."

CASE 164.

Query. If a trackman is injured by a freight or passenger train, should the expense or settlement of that injury be charged to "Maintenance of Way—Injuries to Persons," or "Transportation Expenses—Injuries to Persons?"

Answer. The proper "Injuries to Persons" account to which this should be charged should be determined by the consideration of the department at fault. Where both are at fault, or where the one at fault can not be determined, the damage should be divided equally between the two accounts.

CASE 165.

Query. If a prospective passenger at a station should be injured by a work train, would that charge be to "Maintenance of Way—Injuries to Persons," or "Transportation Expenses—Injuries to Persons"? In other words, should not the class of the train doing the damage determine the charge?

Answer. It should.

CASE 166.

(Canceled. Refers to Work Equipment.)

CASE 167.

Query. The main part of the business of this company consists of handling ore and coal during the lake navigation season, and the bulk of our earnings accrue between the period of April 1 to November 30, inclusive. It has been our practice in the past with respect to the distribution of arbitrary charges affecting our income, such as interest on bonds, etc., to charge out the accruals for the year in the eight months' period above specified and make no charges for the same during the months December, January, February, and March, during which period our earnings are comparatively very small. Will it be proper to continue this practice

with respect to the depreciation charges—that is to say, for the balance of this year may we absorb in the five months, July 1 to November 30, one-half of the annual amount to be set aside in the replacement funds, instead of spreading the same through the six months, and for the annual depreciation charges for 1908 begin taking care of the same in the month of April?

Answer. It will be improper to distribute depreciation charges for the year arbitrarily among the months specified. The depreciation charge is not an arbitrary charge. It is a charge to "Operating Expenses" designed to cover the consumption of plant incident to operation. This consumption of plant, while probably greatest during the portions of the year in which the transportation operations are heaviest, does not depend alone upon the use which is made of the property. A considerable portion of the physical deterioration goes on whether the property is in active service or not, and the matter of obsolescence is entirely independent of the use of the property. The depreciation charges should be made from month to month in accordance with what may fairly be judged to be the actual depreciation or loss in value of the equipment in service. In the event that the depreciation is not charged at a uniform monthly rate, the rates used in charging depreciation for the various months of the year should be filed with the Division of Statistics and Accounts of the Interstate Commerce Commission.

CASE 168.

Query. Our equipment is all old second-hand equipment, which may be suitable for service for from three to fifteen years. What per cent of depreciation should be charged yearly against such equipment?

Answer. The order of the Interstate Commerce Commission prescribes no rate to be used for computing depreciation of equipment. Accounting Series Circular No. 13 contains the principles to be followed, and each carrier should determine its own rate.

CASE 169.

Query. A new freight car, valued at \$665, was destroyed in the month of July. Estimated salvage \$100, net loss \$565, no depreciation so far charged. Kindly advise full treatment of this matter.

Answer. Where a new freight car went into service on July 2, or later during the month of July, and was destroyed during the

month of July, salvage being \$100, original cost \$665, net loss \$565, the \$565 should be charged to account "Freight-Train Cars—Renewals," the \$100 should be charged to "Materials" or the equivalent account, and the "Freight-Train Cars—Replacement" fund should be credited \$665. If, however, the car was in service on July 1, 1907, depreciation charges should be made in respect of that car for one month's depreciation, in which case the renewals charge will be less than above stated by the amount charged on account of one month's depreciation. If the car was in service prior to July 1, 1907, account must be taken of the depreciation accrued prior to that date, in accordance with the principles given in Accounting Series Circular No. 13. When any car goes out of service, the principal sum upon which depreciation charges for this class of equipment are to be based should be adjusted accordingly.

CASE 170.

Query. Suppose a car valued at \$665 is sold after being placed in the "Equipment" account, the amount received being the original cost, what account should the bill for the value of the car be credited to, and what entries are necessary to make proper charge against "Freight-Train Cars—Renewals?"

Answer. In the case stated no charge to "Operating Expenses" is necessary, the "Cash" account or other equivalent account being debited and "Replacement" fund credited with the \$665.

CASE 171.

Query. In the text under "Depreciation," pages 38, 44, 45, 47, 49, 50, and 52 of the Classification of Operating Expenses, where the phrase "to provide a fund for replacement when retired" occurs, is the word "fund" to be interpreted as meaning merely a book account or are carriers supposed to set aside a distinct sum of money in bank for the purpose prescribed?

Answer. It is not necessary to set aside a definite sum of money in bank equal to the accumulations in the reserves for replacement of equipment.

CASE 172.

Query. Owing to the manner in which Equipment accounts and depreciation on equipment have been handled heretofore, and in accordance with the Classification of Expenditures for Road and Equipment, would it be proper to take an inventory of our equip-

ment as of July 1, 1907, putting a fair price on locomotives, etc., and credit "Locomotives—Replacement" fund, etc., for the increase to these different items, thus getting an inventory value of our equipment as of that date?

Answer. All adjustments of ledger accounts to inventory values of equipment of July 1, 1907, should be made as debits or credits to "Profit and Loss."

CASE 173.

Query. The line of the A B Railway Company together with that of the X Y Railway Company forms a through line between F and G. The A B Company having no shops of its own has all repairs to equipment made in the shops of the X Y Company. It is desired to charge into the accounts of each company the cost of repairs and other shop work performed for the respective companies, and for that reason treat the shop through what is substantially a clearing account for all expenses of the shop. May this be done?

Answer. Yes.

CASE 174.

Query. Frequently it is not possible to preserve the identity of scrap taken from cars and locomotives torn down, as it goes into the general scrap heap and is sold when there is a market for it. Is it proper for us to make as close estimates as possible of the value of scrap and second-hand material from equipment and use those estimates in making credits to "Replacement" accounts and in arriving at the amount to be charged to the different Renewals accounts in "Operating Expenses?"

Answer. Yes.

CASE 175.

Query. Am I correct in understanding that charges to "Renewals" accounts are to be made only when equipment is condemned, destroyed, or sold?

Answer. Charges to Renewals accounts are to be made only when equipment goes out of service. In this connection see Accounting Series Circular No. 13.

CASE 176.

Query. Supposing one of our cars is destroyed on the rails of a foreign line and we merely bill against them for its present

value, which would be the original cost less depreciation of — per cent per year. Should this amount be credited to "Freight-Train Cars—Repairs," or would it be proper to credit the amount of the bill to "Replacement" fund, so that when the car is rebuilt it could be charged to the same account?

Answer. Credit to "Freight-Train Cars—Replacement."

CASE 177.

Query. At ——— our power house, which is used for running different machines in the shops, is run by electricity, and not only furnishes power for the running of the machines but also has two dynamos through which electric lights are furnished to the passenger station, freight office, and other buildings. We can, of course, determine definitely the cost of labor for producing the electric light for the lighting of the buildings and can make charges to the proper accounts, but we can not divide the fuel and supplies directly among any of the accounts. Should not such supplies be charged to clearing account "Shop Expenses" and prorated among the accounts on the basis of the distributed charge to each individual account?

Answer. Yes.

CASE 178.

Query. We have a power house which supplies electric light for a large passenger station, freight houses, and warehouses, as well as a train shed, also furnishes heat for the same building, as well as refrigeration for cooling boxes in the warehouses. This plant is operated as one and serves the different buildings mentioned. Shall it be understood from the classification that the expense of operating this power plant shall be charged to account on page 74, "Operating Power Plants," and that the repairs should be charged to account on page 52, "Power Plant Equipment?"

Answer. The expense of operating such a power plant may be treated through a clearing account and distributed to the various accounts chargeable with product furnished. The repairs to the building and the machinery therein should be charged to "Buildings, Fixtures, and Grounds."

CASE 179.

Query. Shall it be understood that total charges to the clearing accounts "Shop Expenses" shall be distributed only among the

accounts specially mentioned in the Official Classification in that connection, or may the distribution be made over all accounts affected?

Answer. The distribution should be made upon the basis of distributed labor over all accounts affected.

CASE 180.

Query. With regard to power plants not chargeable to "Outside Operations," but which are used to generate current for purposes other than the propulsion of electric locomotives, trains, or cars, it has been our custom to include the cost of maintenance of buildings and the equipment of plant, together with the cost of operating the same, in a convenience account. The product is distributed and charged to the various accounts affected. How shall this matter now be treated?

Answer. If the power plant is used solely for the purpose of furnishing power to shops, the cost of operation should be disposed of through the clearing account "Shop Expenses." The cost of maintaining buildings should be charged to "Buildings, Fixtures, and Grounds," and the cost of maintaining machinery to "Shop Machinery and Tools." If used only in part for the purpose of furnishing power to shops, a separate clearing account may be set up covering the expense of operation of the power plant, such expense being distributed among the various accounts affected.

CASE 181.

Query. Should not premiums paid on insurance covering contents of storehouses representing company's material in stock be charged one-twelfth each month to "Store Expenses" and prorated over the issues of the month?

Answer. The "Insurance" account in the Official Classification of Operating Expenses includes all premiums made or paid by a carrier to its insurance fund and premiums (except reinsurance premiums) paid by it to insurance companies; therefore the monthly proportions of premiums referred to in query should be charged direct to "Insurance" account in operating expenses.

See Supplement, effective on July 1, 1908, to Classification of Operating Expenses for Steam Roads, Third Revised Issue.

CASE 182.

Query. To what account should be charged the cost of insurance on floating equipment?

Answer. To account "Insurance" under "General Expenses," except when chargeable to "Outside Operations."

See Supplement, effective on July 1, 1903, to Classification of Operating Expenses for Steam Roads, Third Revised Issue.

CASE 183.

Query. Referring to page 55, explanatory note, clearing account "Shop Expenses," I understand that a clearing account is to be opened by the maintenance of equipment department, to which certain designated expenses are to be charged. This account is to be closed monthly into certain primary accounts, on the proportion that the total of such expenses bears to the total distributed labor by that department. Am I correct?

Answer. Yes.

CASE 184.

Query. Referring to page 85, Note C, am I to understand that the pay of purchasing agents, storekeepers, etc., is chargeable to material accounts through the clearing account "Store Expenses," and that such expense shall be added to the cost of material in addition to the original cost?

Answer. The pay of purchasing agents, storekeepers, etc., should, when their services are entirely devoted to the purchasing and handling of materials, be charged to the clearing account "Store Expenses" and distributed upon the material carried through the storehouses.

CASE 185.

Query. Referring to page 58, heading "Store Expenses," to what primary accounts should the storehouse expenses and purchasing department expenses be apportioned, or should the total expenses be charged to material account and the cost of material increased accordingly? All material issued through the storeroom is purchased through the purchasing department, and issued from the storeroom by the same department.

Answer. If the purchasing department's services are devoted entirely to the purchase of material carried through the storehouse, the expenses of such department may be charged to the "Material" account and enter into the value of material issued or may be charged direct to the appropriate operating expense or other accounts.

CASE 186.

(Canceled. Refers to Equipment Borrowed and Loaned.)

CASE 187.

(Canceled. Refers to Equipment Borrowed and Loaned.)

CASE 188.

Query. How should the wages of engineers and firemen and expenses of locomotives, etc., be apportioned?

Answer. Between "Yard" and "Road" service accounts, in proportion to the service rendered.

CASE 189.

Query. If a road locomotive performs yard service during a part of the day in a yard where regular switching service is maintained, is it permissible to class the expenses of such road locomotive as "Road Locomotive" expenses?

Answer. The expense of the service of the road locomotive should be apportioned between "Road" and "Yard" service on the basis of the service rendered.

CASE 190.

Query. On the A and B Railroad Company we have no regular yard crews, the regular train crews making up their own trains at terminals before leaving. May expense be divided between "Yard" and "Road" service on the basis of mileage, using 6 miles per hour constructive mileage for yard work?

Answer. The expense should be divided between "Yard" and "Road" service on the basis of service rendered:

CASE 191.

Query. Our road, less than 10 miles in length, affords in connection with other roads, all of which it crosses, a means for the interchange of freight traffic between these other roads. Manufacturing and industries located along its line and siding extensions are also afforded service to and from each of the other roads with which it connects. The traffic handled, practically all freight, is moved at a fixed rate for each loaded car handled, irrespective of

destination or character of lading, no charge being made for the movement of empty cars. Is it proper to credit our earnings to "Switching" revenue and treat items of transportation expenses as "Yard" expenses?

Answer. The earnings should be credited to "Switching Revenue" and the transportation expenses be treated as "Yard Expenses" in contradistinction to "Road Expenses," where it is necessary to distinguish between them.

CASE 192.

Query. Our railway is purely a terminal road engaged in switching cars to and fro between the manufactories located on the lands of the ——— Company and the A B and C D railway companies. Should our transportation expenses be reported as "Yard" or "Road?"

Answer. If the service is purely a switching service—that is to say, if the charges for such service depend solely on the number of cars moved and are independent of the commodity, weight, and character of the loading of such cars—the transportation expenses should be treated as a "Yard" service expense.

CASE 193.

Query. Another company pays the salary of the agent and his assistants at a station where some switching is performed, but not at a regular yard, and bills our company for one-half of the amount. Should the company paying the expenses credit the operating account to which this expense is charged, viz, "Station Employees," with their bill against us, or should they credit "Operating Joint Yards and Terminals—Cr.?"

Answer. It is not expected, for the present, that joint employees will be considered joint facilities. It will at present, therefore, be necessary for the creditor company to credit the proportion of salaries of agents and assistants in such case charged against another company to account "Station Employees," and the debtor company to charge its proportion to the same account. This applies only where the joint arrangement affects employees alone. Where the employees are engaged in maintaining or operating joint facilities, their salaries and expenses are a part of the joint-facilities expenses treated through the "Joint-facilities" accounts. In this connection see page 2 of Accounting Series Circular No. 14.

CASE 194.

Query. What account should be credited with money received from other railroads for water furnished their locomotives?

Answer. The account originally charged, "Water for Yard Locomotives," or "Water for Road Locomotives," as the case may be.

CASE 195.

Query. The A B Railway Company runs its equipment and crews from F (the junction between that company and ours) over our lines to H and return, for which we pay that company 15 cents per mile for passenger locomotive service when in regular runs. When run in special passenger service or freight service, we pay 30 cents per mile. How shall we dispose of these charges?

Answer. The two carriers interested should agree upon an apportionment of the mileage charge, and the portion allotted to the locomotive should be passed through the "Hire of Equipment" account; the portions allotted to enginemen, fuel, water, waste, etc., should be passed through the appropriate primary operating expense accounts. Statistics of miles made between the two points must follow the expense for such service.

CASE 196.

Query. Under what head should labor of lighting switch lamps be charged?

Answer. If not at terminals, it should be charged to "Station Employees;" if at terminals it should be charged to "Yard Switch and Signal Tenders."

CASE 197.

Query. To what account should be charged care of switch lamps at stations along the line?

Answer. When at stations at which no regular switching service is maintained, the labor should be charged to "Station Employees" and the supplies to "Station Supplies and Expenses."

CASE 198.

Query. Referring to the account, "Station Employees," on page 64, the sixth line mentions telegraph operators at stations. Does this cover telegraph operators at large freight stations who perform no other service, or should the salary of such operators be

charged to the account on page 77, "Telegraph and Telephone—Operation?"

Answer. Salaries of telegraph operators at stations should be charged to "Station Employees."

The classification is revised by amending the text under "Telegraph and Telephone—Operation" by striking out the words "who also perform other station work" in the first paragraph of that account at the top of page 78.

See Supplement, effective on July 1, 1908, to Classification of Operating Expenses for Steam Roads, Third Revised Issue.

CASE 199.

Query. Under the rules of the Produce Exchange there is a deputy inspector of weights who attends to all loading of grain for export at our ———— terminal. His salary is paid by the Produce Exchange. His duties are to inspect, measure, and grade the grain. It occasionally happens that we want to load this grain out of hours, and in order to have the services of this man after working hours and on Sunday we have to pay for such services. To what account should such payments be charged?

Answer. To "Station Employees" if not incidental to an outside operation.

CASE 200.

Query. To what account should be charged stationery and printing expenses incurred on account of operating floating equipment?

Answer. To "Stationery and Printing" under "Transportation Expenses," when not incidental to outside operations.

CASE 201.

Query. Our superintendent of water service has charge of production of treated water for use of locomotives and his duties are confined exclusively to this work. May we charge his salary to the account "Water for Yard Locomotives" or "Water for Road Locomotives," as the case may be?

Answer. Yes.

CASE 202.

Query. How shall we dispose of amount allowed for loyal service and overtime work of certain employees during a strike

of the coal shovelers and laborers and sympathetic strike of roundhouse men?

Answer. The amount allowed for loyal service and overtime work of certain employees during a strike should be charged to the same account as would have been charged for the work had it been performed during regular time.

CASE 203.

Query. Should hostlers and helpers at roundhouses be classed as enginemen and charged as are the latter to "Yard Enginemen" or "Road Enginemen," or should they be classed under "Enginehouse Expenses"—Road or Yard?

Answer. Pay of hostlers and helpers at roundhouses should be charged to "Enginehouse Expenses—Road" or "Enginehouse Expenses—Yard," as the case may be.

CASE 204.

Query. We have a number of men employed on our road who are known as gatemen, who operate gates which are in reality signals at railroad crossings, not highway crossings. Is it proper to charge the pay of these men to "Interlockers and Block and Other Signals—Operation?"

Answer. Yes.

See Supplement, effective on July 1, 1908, to Classification of Operating Expenses for Steam Roads, Third Revised Issue.

CASE 205.

Query. To what account shall expenses of station employees be charged, such as car fare, traveling expenses, etc.?

Answer. To "Station Supplies and Expenses."

CASE 206.

Query. In the matter of cars which do not pass inspection at junction points, by reason of which loads are transferred, it has been customary to make, in addition to the cost of the transferring, a charge for switching. To what accounts should this item of switching be charged by the road bearing it, and how should it be credited by the road receiving it?

Answer. This item of switching should be credited by the receiving company to Revenue Account No. 9, "Switching Revenue," and charged by the paying company to account "Other Expenses" under "Transportation Expenses."

CASE 207.

Query. How shall we dispose of the expense to a company for having its checks cashed at banks; also for drafts issued payable in other cities in payment of the company's indebtedness?

Answer. These two items should be charged to "Other Expenses" under "General Expenses."

CASE 208.

Query. A company devotes annually to a pension fund, say, \$30,000. The amount of pensions actually paid during the past year was, say, \$10,000. How should these amounts be treated?

Answer. The \$30,000 devoted annually to the pension fund can not be considered a proper charge to "Operating Expenses." "Operating Expenses" are chargeable only with amounts of pensions paid to retired employees and expenses in connection therewith. (See Case 302.)

CASE 209.

Query. The management of our company consists of several officers receiving no salary, also a general bookkeeper and auditor, whose salary we would charge to "General Expenses." Is this correct? We also have a general superintendent located on the road, who is responsible for the whole local management of the road. Further, we have a general agent, also locally located, who performs the duties of clerk to the superintendent and of local agent at the only station where we have an agent and local accountant. How shall we dispose of these salaries?

Answer. The salary and expenses of the general bookkeeper and auditor should be charged to "Salaries and Expenses of General Officers." The salary and expenses of the general superintendent should be charged as per note on page 64 of the Official Classification of Operating Expenses. The salary and expenses of the general agent should be charged in accordance with services rendered.

CASE 210.

Query. With respect to terminal roads, what rule should be followed in dividing earnings between "Freight Revenue" and "Switching Revenue"?

Answer. See revised text for Account No. 9, "Switching Revenue," in the Supplement, effective on July 1, 1908, to Classification of Operating Revenues for Steam Roads, First Issue.

CASE 211.

Query. With regard to freight overcharges under the subject "Reserve Funds," will it be permissible to charge against this balance any reserve overcharge claims paid during the present fiscal year, making such further accruals by charges against our revenue accounts as shall cover estimated existing overcharge claims, thus maintaining a sufficient reserve to approximately cover all outstanding claims at any given time?

Answer. Reserves should be held until the liabilities are paid.

CASE 212.

Query. For several years past our company has paid the A B Company one-half of the cost of towing their boats to and from our wharf at Y. It seems to me this might be termed "water switching," and we would ask if it is not proper to charge this service to "Freight Revenue"?

Answer. Yes.

CASE 213.

(Answer not finally approved. See *Accounting Series Circular No. 12b.*)

CASE 214.

Query. On a car received from a connecting carrier certain switching was necessary at X Junction, charges for which amounted to \$20, and were absorbed by our line. A portion of this switching charge absorbed was recovered from another connecting carrier. How shall this matter be treated?

Answer. The net switching charge absorbed should be charged to the account to which was credited the revenue upon the shipment.

CASE 215.

Query. The A & B Railway Company enjoys the use of our tracks, station buildings, and other facilities between X and Y, paying therefor a specified rent on a valuation basis, wheelage proportion of maintenance, and agreed proportions of station service (principally covering train telegraph service). The A & B Railway Company has no right to transact a local business between the points above named. Recently our operating officials entered into an agreement under which the A & B trains should handle our local freight and passenger business between those points for a stipulated percentage of the revenue. Note C under account "Passenger Revenue" reads as follows: "When a lessee company transports passengers over the tracks of another carrier on the basis of a proportion of revenues, it should include the entire compensation in its revenues and statistics, charging the appropriate joint facilities expense and rent accounts with the amount paid the lessor company, and the lessor company should credit the same accounts." No similar provision is made for a like case under "Freight Revenue." Applying Note C to our case, I take it to mean that the A & B Railway Company should include in its passenger revenue the full revenue from our line tickets taken up and should charge its "Operating Expenses" accounts with the proportion accruing to our line. Should like disposition be made of freight revenues from local traffic between X and Y?

Answer 1. The amounts paid by the A & B Railway Company for use of tracks, station buildings, and other facilities between X and Y, based on a specified rent and proportions of maintenance and operation expenses, should be handled through the appropriate "Joint-facilities" accounts in "Operating Expenses" and "Income." The lessor company should charge its various operating expense accounts with the full cost of operation and maintenance.

2. The A & B Railway Company should include in its freight and passenger revenues the entire receipts of the local freight and passenger traffic between X and Y, and the proportion accruing to the lessor company should be handled through the appropriate "Joint-facilities" account in "Income." Note C referred to applies only when the proportion of the revenues paid is the full payment for use of joint tracks, etc., and it is intended that such payments should be apportioned to the "Joint-facilities," "Operating Expenses," and "Income" accounts affected.

CASE 216.

Query. Our ——— ——— ——— train stops at X, but tickets to that point can not be bought for this train. The first billing point would be Y. It sometimes happens that a party desiring to get to X in a hurry buys a ticket to Y and leaves the train at X, thus leaving an unused portion of the ticket in the hands of the conductor, which is returned to the auditor of passenger accounts. Or, in the case of reduced rate in connection with some special feature, a person desiring to visit an intermediate point will buy an excursion ticket and not use it clear through to destination. How should these cases be treated?

Answer. The full amount received upon the sale of the ticket should be credited to Revenue Account No. 2, "Passenger Revenue."

CASE 217.

(Canceled. Refers to revenue on company's freight.)

CASE 218.

Query. Our road enters ——— ——— ——— over leased lines, and not having terminal facilities of our own at this point, we look to connecting lines to do our switching. The A B Railroad Company bills against us for switching cars, both where that company participates in the earnings and where it does not (the charges in the latter case being higher), and in some cases whether the cars be loaded or empty. How shall we treat the various switching charges?

Answer. Such charges on loaded cars should be charged to Revenue Account No. 1, "Freight Revenue;" switching charges on empty cars, when not in connection with loaded movements, should be charged to account "Other Expenses" under "Transportation Expenses." When the empty movement is in connection with a loaded movement, and purely incidental thereto, the amount paid therefor should be charged to Revenue Account No. 1, "Freight Revenue."

CASE 219.

Query. Grain is transported to X from points west and is transferred from cars to elevators. Railroad companies receiving grain from such elevators for transportation pay to the elevator

company one-quarter of 1 cent per bushel, this charge being covered by a note in our tariff. To what account should such charges paid to the elevator company by the railway company be charged?

Answer. To Revenue Account No. 1, "Freight Revenue."

CASE 220.

Query. What is the proper disposition of payments made to industrial concerns for services of their switch locomotives? We find it cheaper or more convenient to pay the industrial concerns the rate set forth in our tariff and have them do their own switching rather than to assign one of our own locomotives to that service.

Answer. Payments of this nature may be disposed of by charging them to Revenue Account No. 1, "Freight Revenue."

CASE 221.

Query. In the case of passenger trains run under a guaranty where you provide for splitting the revenue between "Passenger Revenue" covering amount received from the sale of tickets and "Other Passenger-Train Revenue" for the deficit made up by the guarantor I assume that the entire mileage should go under the head of "Passenger-Train Miles" and not under that of "Special-Train Miles." Is this correct?

Answer. Yes; unless the train is a mixed train.

CASE 222.

Query. This company handles picnic trains between X and V on the following basis: (1) So much for each train at an agreed price per coach without regard to the number of people handled; (2) so much for each passenger with a guaranty of so much revenue. In case the revenue per capita does not equal the guaranty, the deficiency is paid to the company. What is the proper classification in revenue account?

Answer. In the first case stated the revenue should be credited to Revenue Account No. 10, "Special Service Train Revenue." In the second case proposed the portion of the receipts based upon the rate per passenger and the number of passengers should be credited to Account No. 2, "Passenger Revenue;" the remainder, if any, received under the guaranty should be credited to Account No. 8, "Other Passenger-Train Revenue."

CASE 223.

Query. Circus trains are handled between stations at a lump sum for a train, with a limitation on the number of people carried. Am I correct in assuming the revenue should be credited to Revenue Account No. 10, "Special Service Train Revenue?"

Answer. Yes.

CASE 224.

Query. In case of picnic trains, chartered trains, and theatrical trains, where the revenue is properly credited to Revenue Account No. 10, how should the number of passengers, the train mileage, and the car mileage be treated, as far as passenger statistics are concerned; that is, in ascertaining rate per passenger per mile, etc.?

Answer. No accounts should be kept of passengers and passenger miles where the revenue is properly credited to Operating Revenues Account No. 10, "Special Service Train Revenue." With regard to train-miles, car-miles, locomotive-miles, etc., see the Classification of Locomotive-Miles, Car-Miles, and Train-Miles.

CASE 225.

Query. We derive revenue from transferring trains of other railroad companies over a portion of our tracks with our own power, for which we charge a certain rate per car. What disposition should be made of this revenue?

Answer. This should be credited to Revenue Account No. 11, "Miscellaneous Transportation Revenue."

CASE 226.

Query. How should the earnings in respect of parlor-car service be treated?

Answer. When the parlor-car service is not an outside operation, such earnings should be credited to Revenue Account No. 4, "Parlor and Chair Car Revenue."

CASE 227.

Query. We ran a special train from A to B, destined to a point beyond, and required for our service a guaranty of \$114. Tickets collected amounted for our portion to \$51.65. We collected the remainder from roads beyond. How shall we treat this?

Answer. The portion collected under the guaranty should be credited to Revenue Account No. 8, "Other Passenger-Train Revenue."

CASE 228.

(Answer not finally approved. *See Accounting Series Circular No. 12b.*)

CASE 229.

Query. Garnishment suits are frequently entered against railroads covering amounts due from them to other parties. In certain States the garnishee is allowed a fee for answering any such suits. What treatment should be followed as to this matter?

Answer. Credit garnishee fees to Revenue Account No. 19, "Miscellaneous."

CASE 230.

Query. To what account should sale of gravel from company's gravel pit be credited?

Answer. Profit should be credited to Revenue Account No. 19, "Miscellaneous." The average cost of production should be credited to the ballast clearing account.

CASE 231.

Query. Is the "Car-Service" account to be credited with the amount of car service accruing in the current month or only with the amount actually paid during that month?

Answer. Credits to Revenue Account No. 16, "Car Service," should be upon the basis of accruals.

CASE 232.

Query. Our road occasionally has opportunity to dispose of cinders. To what account should amounts thus received be credited?

Answer. Such credits should be made to Revenue Account No. 19, "Miscellaneous."

CASE 233.

(Answer not finally approved. *See Accounting Series Circular No. 12b.*)

CASE 234.

(Answer not finally approved. *See Accounting Series Circular No. 12b.*)

CASE 235.

Query. This company acquired from the A & B Railway Company (whose property we purchased en bloc) about 75 freight cars in bad condition. These cars were taken over at an estimated value of \$200 each and are not used in operating the property, but are held for work in grading, etc., and repairs have heretofore been charged to the work benefited. May we follow this procedure in the future?

Answer. Yes.

CASE 236.

(Answer not finally approved. *See Accounting Series Circular No. 12b.*)

CASE 237.

(Answer not finally approved. *See Accounting Series Circular No. 12b.*)

CASE 238.

(Answer not finally approved. *See Accounting Series Circular No. 12b.*)

CASE 239.

(Answer not finally approved. *See Accounting Series Circular No. 12b.*)

CASE 240.

(Answer not finally approved. *See Accounting Series Circular No. 12b.*)

CASE 241.

(Answer not finally approved. *See Accounting Series Circular No. 12b.*)

CASE 242.

(Answer not finally approved. *See Accounting Series Circular No. 12b.*)

CASE 243.

Query. In clearing a wreck it is necessary to use wreck train, engine, and crew of another company. In preparing voucher,

should charge be distributed to "Hire of Equipment" and "Clearing Wrecks," or should the entire expense be charged to the last-named account? To what accounts would the bills of the company performing the service be credited?

Answer. Amounts paid for use of wreck engine, crew, and derrick of another company hired in emergency to clear a wreck should be charged to "Clearing Wrecks" by the company who pays the bill. The company furnishing the wrecking outfit should credit the amount to each primary account affected for actual service performed and credit the amount charged as rent of equipment to "Hire of Equipment."

CASE 244.

Query. What is the proper classification of expenses for "Stationery and Printing" used by outside agents, advertising department, and fast-freight lines?

Answer. Account "Stationery and Printing," under "Traffic Expenses," includes all stationery used in traffic department, except stationery used by "Industrial and Immigration Bureaus."

CASE 245.

Query. The account "Train Supplies and Expenses" in the Classification of Operating Expenses, Third Revised Issue, provides for the cost of oil, grease, waste, wool, and other supplies used in lubricating cars. The account "Roadway and Track," under the subheading "Train Service," provides for the cost of fuel, stores, and other supplies for work-train locomotives and cars. Should the oil used for lubricating work trains be charged to "Train Supplies and Expenses" or considered as a portion of the supplies mentioned under "Roadway and Track?"

Answer. Oil for lubricating work trains should be considered as a portion of the supplies mentioned in account "Roadway and Track."

CASE 246.

Query. To what revenue account or operating expense account should be credited the slight profits accruing to a carrier on bills rendered against other roads or outside individuals; that is to say, percentages added to labor, and material for superintendence, use of tools and accounting, and other items of profit, where

the charge made is somewhat in excess of the cost to the carrier rendering the bill?

Answer. Should be credited to "Operating Expenses." (See Case 262.)

CASE 247.

Query. In regard to the distinction between "Operating Joint Yards and Terminals" and "Operating Joint Tracks and Facilities," and as to whether we should include in "Joint-facilities" accounts, joint expenses of all kinds, such as interlocking plants, crossing flagmen, etc., we are now entering our July bills, and it is important that we know how these should be distributed. In this July account we will be vouchering and charging bills for joint facilities made and credited by other railroad companies prior to July. These bills will therefore not show the distribution to the "Joint-facilities" account. Will it be proper to charge such bills to the proper "Joint-facilities" account, regardless of the distribution made by the carrier rendering the bill?

Answer. Expenses that enter into accounts subsequent to July 1, 1907, on account of joint facilities of all kinds should be handled through the "Joint-facilities" accounts.

See Supplement, effective on July 1, 1908, to Classification of Operating Expenses for Steam Roads, Third Revised Issue.

CASE 248.

Query. Under "Maintenance of Equipment—Superintendence" is included the words "general foreman." What is meant by this term and in what respect are they distinguished from shop foremen as shown under the clearing account "Shop Expenses," on page 56 of the Classification?

Answer. Shop foremen ordinarily means foreman of machine shop, foreman of boiler shop, foreman of blacksmith shop, and foreman of any department. General foreman is a term applicable to such foremen as have jurisdiction over the several departmental foremen known as shop foremen, where the organization is sufficiently large to require the service of a general foreman, as distinguished from a departmental foreman. Where a single foreman has charge of all shops without the assistance of departmental foremen, he should be regarded as a shop foreman.

CASE 249.

Query. Should per diem reclaims be treated as a matter of hire of equipment? If not, to what account should such per diem reclaims be charged and credited?

Answer. Reclaims should be treated the same as per diem payments and disposed of through the account, "Hire of Equipment."

CASE 250.

Query. In addition to our paying other companies a proportion of maintaining joint tracks, maintaining joint equipment, operating joint tracks, and general administration of joint tracks, we also pay a flat rent per annum. How shall we take care of such payments?

Answer. Should be charged to an appropriate rent account under "Income."

CASE 251.

Query. Should the salary of a station agent who also acts as a copy operator for dispatching trains be divided between "Dispatching Trains" and "Station Employees," or should the salary be charged entirely to "Station Employees"?

Answer. All to "Station Employees."

CASE 252.

Query. To what account under the new classification should be credited amounts received from tenants for the privilege of cutting hay along our right of way?

Answer. Operating Revenue Account No. 19, "Miscellaneous."

CASE 253.

It is suggested that the note under the account "Water for Yard Locomotives" (page 69, Classification of Operating Expenses, Third Revised Issue), also the note under the account "Water for Road Locomotives" (page 72, Classification of Operating Expenses, Third Revised Issue), reading, "The apportionment of water as between yard and road locomotives should be on the basis of the relative number of tender tanks taken," be changed to read: "The apportionment of cost of water as between yard and road locomotives should be based on the relative number of tons of coal used on locomotives in yard and road service."

Answer. The apportionment of water as between yard and road locomotives should be on the relative number of tons of coal used on locomotives in yard and road service.

See Supplement, effective on July 1, 1908, to Classification of Operating Expenses for Steam Roads, Third Revised Issue.

CASE 254.

Query. To what account should compensation for use of an air-brake instruction car, the property of the International Correspondence School, and used by a railway company in the instruction of its employees in the transportation and motive power departments, be charged?

Answer. Should be disposed of in accordance with note on page 64 of the Official Classification of Operating Expenses, under "Transportation Expenses—Superintendence."

CASE 255.

Query. Matters pertaining to the land and tax departments of a certain railway company are in the hands of a land and tax commissioner of an allied company, to whom 5 per cent of his salary is paid by the former. Is such payment a proper charge to "Salaries and Expenses of General Officers"?

Answer. Yes.

CASE 256.

Query. Should "Metallic Packing," now listed in transportation expenses under "Other Supplies for Yard Locomotives" and "Other Supplies for Road Locomotives," be considered a repair in place of a supply article? That being the case, "Metallic Packing" would hereafter be listed under "Steam Locomotives—Repairs," "Electric Locomotives—Repairs."

Answer. Metallic packing is a vital part of a locomotive, and is more of the nature of repairs than supplies. It should be charged to "Steam Locomotives—Repairs" and "Electric Locomotives—Repairs," instead of to "Other Supplies for Road Locomotives" and "Other Supplies for Yard Locomotives," and the Classification of Operating Expenses is amended accordingly, effective on July 1, 1908.

See Supplement, effective on July 1, 1908, to Classification of Operating Expenses for Steam Roads, Third Revised Issue.

CASE 257.

Query. Classification of Operating Expenses, Third Revised Issue, requires a debit to each account affected with apportionment of the charge, shop expense. It is claimed this ruling is in conflict with M. C. B. Rule No. 104, and the question arises if it is the intention to disregard the M. C. B. rules where they conflict with Classification of Operating Expenses, Third Revised Issue?

Answer. M. C. B. rules govern only charges of one carrier against another carrier and do not affect or govern "Operating Expenses" accounts. There is no conflict.

CASE 258.

Query. Under the heading of "Maintenance of Way and Structures" (page 40, Classification of Operating Expenses, Third Revised Issue), "Maintaining Joint Tracks, and Other Facilities," are the expenses incident to employees at stations, owned or used jointly, to be treated as a debit and credit to the similar transportation accounts?

Answer. Yes. (See Case 193.)

CASE 259.

Query. Should the amounts received for switching a private car and its occupants from one railroad to another in order to continue the movement from point of origin to destination be credited to Account No. 9, "Switching Revenue"?

Answer. Yes.

CASE 260.

Query. Should the amounts received from switching express cars from one railroad to another to continue the movement from point of origin to destination be credited to Account No. 9, "Switching Revenue"?

Answer. Yes.

CASE 261.

Query. To what account should coupons found in covers of interchangeable mileage books returned for redemption be credited?

What account should be credited with the value of coupons from mileage books which remain unrepresented after the expiration of the limit of the ticket?

To what account should be credited amounts of unclaimed penalty collections on trains; also, unclaimed redeemable portions of mileage tickets and credentials?

Answer. To Account No. 8, "Other Passenger Train Revenue."

CASE 262.

Query. How should the percentage added to labor, representing the use of tools, superintendence, etc., and the percentage added to material, covering handling, transporting, and accounting, be treated—and how credited?

Answer. Should be credited to "Operating Expenses." (See Case 246.)

CASE 263.

Query. Should the revenue derived from trackage charge levied by the A & B Railway Company, incident to deliveries of live stock to C & D Stock Yards Company, such deliveries being made by connecting lines' own power, and on basis of published tariff charges, be credited to Account No. 19, "Miscellaneous," under "Revenue from Operations Other than Transportation," or should same be apportioned to "Income" account and "Joint-facilities" account, under "Maintenance of Way and Structures," "Transportation Expenses," and "General Expenses"?

Answer. Should be apportioned to appropriate rent account under "Income" and to "Joint-facilities" accounts.

CASE 264.

Query. In the Classification of Operating Expenses, Third Revised Issue, under "Work Equipment—Repairs," "Steam Locomotives—Repairs," "Passenger-Train Cars—Repairs," and "Freight-Train Cars—Repairs," is included cost of supervision. Where such repairs are made by master mechanics, general foreman, car foreman, etc., whose pay comes under "Superintendence," on page 41, what supervision would be included in the repair accounts?

Answer. Account "Superintendence" includes pay of chief car inspector and general car inspector, but not of local supervising car inspector. This latter official's duties come under the term "Supervision," named in the repair accounts quoted. Superintendence covers officials having territorial jurisdiction over sev-

eral points or several departments, and the primary accounts include local supervision and departmental supervision, as distinguished from above.

CASE 265.

Query. A railway company has arrangements for switching cars to industries and to other carrier's connections, in which the switching road is paid for the loaded haul and also for the return of the empty cars to the said railway company's line. Is the specific charge for the return movement of the empty car a proper deduction from the freight revenue as a part of the cost of effecting the delivery or charge under operating expenses to "Other Expenses"?

Answer. Charge to Revenue Account No. 1, "Freight Revenue."

CASE 266.

Under Classification of Expenditures for Road and Equipment, Account 33, "Rent of Equipment."

If rent of a pile driver used in the construction of a bridge be charged in this account, the query presents itself: How is the true cost of a bridge (on which this pile driver worked) to be determined?

Answer 1. If the pile driver is permanently mounted on a car the charge for the rent thereof should be made to Account No. 33, "Rent of Equipment" in the Classification of Expenditures for Road and Equipment, First Revised Issue. Should it be desired to divide this account into subprimary accounts so that the amount paid for hire of equipment used in constructing bridges can be ascertained, it may be done, provided that a list of such subprimary accounts be submitted to the Interstate Commerce Commission.

2. If the pile driver is not mounted on a car its rent should be charged to Account No. 6, "Bridges, Trestles, and Culverts," in the Classification of Expenditures for Road and Equipment, First Revised Issue.

CASE 267.

Query. Where a certain rate is quoted in a tariff for the carrying of sand, is the charge of 10 cents for loading the sand, which service is performed by the A & B Railroad Company or by a

contracting firm employed by the same company, a proper debit to operating expenses?

Answer. Yes; charge to "Station Employees."

CASE 268.

Query. Road A has trackage rights over the line of road B between two points, the consideration received being a toll of \$4 per loaded car, etc., which amounts have heretofore been credited to "Miscellaneous Earnings." Should such items be shown as a credit to primary account "Operating Joint Tracks and Facilities—Cr.?"

Answer. It is assumed that this payment includes the following items, and should be disposed of accordingly:

1. Maintenance, which should be disposed of to "Maintaining Joint Tracks, Yards, and Other Facilities."
2. Transportation expenses, which should be disposed of to "Operating Joint Tracks and Facilities."
3. Interest on valuation or rent, which should be disposed of to "Income" account.

It is also assumed in this answer that there is no Yard movement.

CASE 269.

Query. What account should be charged with amounts paid by a carrier for electric lights at street crossings not at stations or in yards, the object being to make the crossing more safe for the passage of traffic on the street?

Answer. To "Crossing Flagmen and Gatemen."

CASE 270.

Query. This line is a switching road entirely within the State of Pennsylvania, and with but few exceptions, and then only for a short time, its cars do not leave the line, and consequently there is no charge for per diem against other companies. We pay to other companies the regular per diem charges for use of their cars while on our lines, and being a switching road, are allowed the reclaim from connecting lines a certain amount for cars returned within the time limit fixed by them.

Are we correct in charging "Hire of Equipment" with the amount paid to other companies for use of their equipment, and

crediting "Hire of Equipment" with the amount of the reclaim received from connecting lines, and carrying the balance as a debit or credit, as the case may be, to income account?

Answer. Yes.

CASE 271.

Query. To what account should be charged this company's proportion of the expense of maintaining and operating the mileage exchange order bureau of a passenger association? An interchangeable mileage ticket is in use in this territory, which is honored by all railroads in the association, and the record of the use of interchangeable orders is kept by the bureau mentioned for the purpose of detecting any misuse of these orders.

Answer. To "Traffic Associations."

CASE 272.

Query. The X Y Z Railroad has arrangements with a number of different roads through which the entire expense of interlocking plants protecting railroad crossings, also crossings protected by manual signals, as well as stations at railroad crossings joint with other roads, in connection with which either one road or the other pays the entire expense, both of labor and supplies furnished, and bills the other road for its proportion. The tendency seems to be to throw these bills into "Joint-facilities" accounts.

My understanding of the Joint Facilities Circular was that it applied to the properties owned by one carrier, another carrier enjoying the facility, or, perhaps, operated by another carrier in connection with which it would be a proper charge to the different "Joint-facilities" accounts, but it does not seem to me that a station out in the country, or an interlocking plant covering a road crossing, comes within the "Joint-facilities" accounts. It seems to me that the proper charge is to the different primary accounts outside of "Joint-facilities" accounts. I do not see how that operating joint tracks can be considered as the proper account in connection with road crossings, the train of each road passing over the crossing on their own rails. Please advise the proper disposition of these expenses.

Answer. Should be handled through "Joint-facilities" accounts. The account "Operating Joint Tracks" is amended to read "Operating Joint Tracks and Facilities" in order to embrace items of this nature not in yards or at terminals.

The operating carrier should charge the full expense of operation and maintenance to the various operating expense primary accounts affected and should credit the proportions charged against other carriers to the appropriate "Joint-facilities" accounts in "Operating Expenses." The amount of rent (interest on valuation and proportion of taxes), if covered by settlements should be credited to "Rents" in Income Account.

The debtor carriers should charge the appropriate "Joint-facilities" accounts in "Operating Expenses" and "Rents" in Income Account. The account "Operating Joint Tracks" is amended to read "Operating Joint Tracks and Facilities" in order to embrace items of this nature not in yards or at terminals.

See Supplement effective on July 1, 1908, to the Classification of Operating Expenses for Steam Roads, Third Revised Issue.

CASE 273.

Query. Should amounts paid to and received from other companies for use of joint facilities, when same are based on a proportion of interest on valuation, in addition to the expense incurred in maintaining and operating such property, be included under the following accounts: "Maintaining Joint Tracks, Yards, and Other Facilities" (debit and credit); "Maintaining Joint Equipment at Terminals" (debit and credit); "Operating Joint Yards and Terminals" (debit and credit); "Operating Joint Tracks and Facilities" (debit and credit), and "General Administration Joint Tracks, Yards, and Terminals" (debit and credit)?

The note under each of the foregoing accounts shows the purpose of the account is to cover amounts accruing against or in favor of a carrier for its proportion of the expense, etc., and I am therefore unable to determine whether or not the interest on valuation is construed as an item of expense or should be carried through the "Income" account as a fixed charge.

Answer. That portion of the charge which represents interest on valuation should be handled through the appropriate rent account under "Income."

CASE 274.

Query. In connection with the subaccount "Icing and Watering Cars," under "Train Supplies and Expenses," referring to the item "Also cost of refrigeration when borne by the carrier,"

this company has considerable revenue from refrigeration charges which are collected in addition to the regular freight rates. No specific mention of this is made in the classification of revenues, but as the Classification of Operating Expenses contemplates charging to "Train Supplies and Expenses" bills of other companies for refrigeration, it occurs to me that it would be proper to credit our bills and advance charges to the same account, notwithstanding there is a profit in the business.

What disposition should be made in regard to this matter?

Answer. Should be charged or credited to "Train Supplies and Expenses."

CASE 275.

Query. What disposition should be made of bills for operating interlocking plants at crossings?

Answer. Cost of operation of interlocking plants at railroad crossings used jointly to carriers other than the operating carrier should be handled through "Joint-facilities" accounts. If located in yards or at terminals charges should be made to the account "Operating Joint Yards and Terminals." If located at points other than in yards or at terminals, charges should be made to the account "Operating Joint Tracks and Facilities." The initial expenditure made by the operating carrier should be charged to its appropriate primary accounts (other than for "Joint-facilities") in operating expenses and the proportions thereof billed against other carriers should be credited to the appropriate "Joint-facilities" accounts. See Supplement to the Third Revised Issue of the Classification of Operating Expenses, for amended text of the latter account. (*See Case 117.*)

CASE 276.

In numerous instances agents can not collect amounts charged to them by audit office corrections against freight waybills. The partial provision in the text under "Freight Revenue" accounts does not seem to fully cover all the circumstances of these cases. The same question presents itself where agents are overcharged on basis of rates, weights or classification in one year. The suggestion is made that the amounts of which agents are relieved under such circumstances should be set up in an open account on the audit office ledger in such manner that they may be fully and readily analyzed at any time; and that such account should be closed at the end of each year directly into "Income" account.

Answer. All uncollectible undercharges in carrier's proportion of "Freight Revenue" growing out of corrections on waybills should be charged to Account No. 1, "Freight Revenue," in compliance with the Classification of Operating Revenues promulgated by the Interstate Commerce Commission, and other uncollectible items on account of corrections on waybills should be charged to "Other Expenses" under "Transportation Expenses."

CASE 277.

Query. At various junctions on our line we own, maintain, and operate stations, paying total expenses in maintaining and operating such stations, rendering bills against other carriers for their proportion of cost incurred to maintain and operate such stations. Should we charge entire expenses incurred in maintaining and operating these stations to "Joint Tracks, Yards, and Other Facilities," under "Maintenance and Operation," or charge proportion of amount accruing against other carriers to "Joint Facilities" and the balance of costs, borne by us, to the detailed primary accounts outside of "Joint-facilities" accounts?

Answer. Original costs for operating joint facilities should be entered in the various primary accounts of the operating company's operating expenses, and amounts billed against other companies should be credited through the "Joint-facilities" accounts. (See Case 193.)

CASE 278.

Query. Where stations, interlockers, water stations, etc., are owned jointly by our company with other companies, should the cost of operation be charged to the various operating expense accounts or should it be treated as "Joint-facilities" accounts?

Answer. Should be charged to the various operating expense accounts of the operating carrier and the proportion billed against other carriers credited to the appropriate "Joint-facilities" accounts; other carriers debiting like "Joint-facilities" accounts.

CASE 279.

Query. To what account should the revenue on a shipment lost or destroyed in transit at a given point be charged, and what account should be charged with the unearned revenue beyond the point where the shipment was lost or destroyed?

Answer. The revenue of the road on which the loss occurs should be charged to Revenue Account No. 1, "Freight Revenue."

The amount paid to other companies for their proportion of freight charges accruing thereon should be made a charge to "Loss and Damage—Freight."

CASE 280.

Query. The A B Railway Company leases extensive terminals at F, from the X Y Steamship Company, and sublets certain wharf property to the C D Transportation Company. The property used by the C D Transportation Company was included in that leased to the A B Railway Company for the reason that the C D Company was a connection of the A B Company and its interests were closer allied to those of the A B Company than to the X Y Steamship Company, with which it interchanged no traffic. In fixing upon the amount of the rent, rental value of other property was considered, and to this was added the rent received by the X Y Steamship Company from the C D Transportation Company. For example, the value of other property to the A B Railway Company was, say, \$80,000 per year. The C D Company paid the X Y Company \$18,000 per year, and this was added to the \$80,000, making the rent paid by the A B Railway Company for the entire property \$98,000. In view of the manner of construction of the rent named in the lease, we are crediting the rent received from the C D Transportation Company, less the cost of maintenance of the property, against the rent paid to the X Y Steamship Company. Inasmuch as the rent paid is an income matter, I think that the rent received is also an income matter after reimbursing operating expenses. Is this correct?

Answer. It is correctly handled.

CASE 281.

Query. The revised issue of rules of the Master Car Builders' Association, under rules 40 and 106, covers the charges to be made for the cost of removing advertisements tacked or pasted upon cars. Should this actual expense be charged to "Train Supplies and Expenses" or to "Freight-Train Cars—Repairs," and should the bills for performing the service be credited to "Train Supplies and Expenses" or "Freight-Train Cars—Repairs"?

Answer. Charge or credit "Train Supplies and Expenses."

CASE 282.

Query. A railroad company sends out a switch engine and crew to pick up lumber lost off a freight train belonging to another company. To what account should the wages of the crew be charged and use of engine, and what accounts credited?

Answer. Should be charged to company responsible and credited to operating expense accounts originally charged. The rent of engine should be credited to account, "Hire of Equipment."

CASE 283.

Query. To what operating account should be charged the proportion of joint operation of interlockers at crossings? For example, at a point on our line another company pays the entire cost of maintaining and operating an interlocker and bills on our company for a proportion of the expense. There are no yards or other facilities.

Answer. Costs of operation of interlocking plants at such railroad crossings used jointly should be handled through "Joint-facilities" account "Operating Joint Tracks and Facilities."

See Supplement, effective on July 1, 1908, to the Classification of Operating Expenses for Steam Roads, Third Revised Issue.

CASE 284.

Query. We have inaugurated between A and C in connection with another line of road, designated the second party, a through passenger-train service operated over our line of road from A to B (being intermediate between A and C), and operated over the line of the second party from B to C, our company paying all expenses, billing the second party each month for their proportion based on train mileage; crediting the account "Operating Joint Yards and Terminals—Cr." Is this correct?

Answer. No; this is not a joint facility and should not be handled through the "Joint-facilities" accounts.

CASE 285.

Query. Under an agreement between the A B Railroad Company and the Y Z Railroad Company, executed before this company began operations, this company handled traffic for the A B Company, in A B cars, between certain points on this road and the

junction with the A B Railroad Company. The revenue on such traffic is entirely absorbed by the A B Company. The tracks over which this traffic is handled are owned, leased, operated, and maintained by this company. Monthly bills are rendered against the A B Railroad Company based on the cost of operation and maintenance (including taxes, etc.), as the number of cars, empty and loaded, handled for the A B Company bears to the whole number of cars, empty and loaded, handled over the tracks as prescribed in the agreement. What accounts should be credited with the amounts of such bills?

Answer. 1. Maintenance charges should be handled through "Maintaining Joint Tracks, Yards, and Other Facilities—Cr."

2. Operating charges should be handled through "Operating Joint Tracks and Facilities—Cr." (for tracks), and "Operating Joint Yards and Terminals—Cr." (for terminals).

3. Administration charges should be handled through "General Administration Joint Tracks, Yards, and Other Facilities—Cr."

4. Charges representing interest on valuation and taxes should be handled through the appropriate rent account under "Income."

CASE 286.

Query. Passenger trains, including crews, owned by this company, operating under through schedules, run over about nine miles of tracks, owned and maintained by the A B Railroad Company. The entire expense of the crew is paid for by this company. The entire earnings of the train while on the A B Railroad tracks are absorbed by the A B Railroad Company. This company bills against the A B Railroad Company for a proportion of actual expense of the train and crew, based on the mileage while on this company's tracks, against the mileage while on the A B Railroad tracks. What accounts should be credited with the amounts of bills so rendered?

Answer. Not a joint facility; credit appropriate primary accounts under "Transportation Expenses."

CASE 287.

Query. To what account should be charged a railway's proportion of expenses of an association to protect the various railroads in litigation regarding patents upon mercantile devices used in the operation of locomotives or cars, the expenses of which

are borne in proportion to the gross earnings of the companies composing the associations?

Answer. "Law Expenses" under "General Expenses."

CASE 288.

Query. To what account should be charged rents paid to other companies for use of their stalls for housing our locomotives?

Answer. To "Enginehouse Expenses—Yard" or "Enginehouse Expenses—Road," as the case may be.

CASE 289.

Query. We pay the Y Z Company a specified amount per month for the use of a portion of their yards and tracks, and for another portion on the basis of the number of cars handled over such tracks. We pay all the expenses of maintaining the tracks, but they pay the taxes. Since the amount paid the Y Z Company is for rent, should not the same be debited by us to "Miscellaneous Income—Rent of Property"?

Answer. Charge to appropriate rent account under "Income."

CASE 290.

Query. We collect from the X Y Company for use of tracks at G a monthly rent. This track is used by the X Y Company for an outlet for their freight trains through our yard at G. To what account should this rent be credited?

Answer. Should be handled through the appropriate "Joint-facilities" accounts in "Operating Expenses" and "Income." That portion of the charge which represents interest on valuation and taxes should be credited to Rents in "Income" and that which is for maintenance and operation to the appropriate "Joint-facilities" accounts in "Operating Expenses." (See Case 272.)

CASE 291.

Query. We collect from a certain Union Station Company for rent of tracks in G from and to certain streets, same being about 600 feet in length, a monthly rent. This track is used by lines entering the Union Station at G. To what account should this rent be credited?

Answer. See Case 290.

CASE 292.

Query. We collect from a Union Station Company for rent of land in G a monthly rent, said land being covered by a part of the structure of the Union Station Terminal at G. To what account should this rent be credited?

Answer. To the appropriate rent account under "Income."

CASE 293.

Query. We collect from a party for rent of side track an annual rent. To what account should this rent be credited?

Answer. The inquiry implies that this side track is rented by a private individual, not a carrier, in which case the rent should be credited to Revenue Account No. 18, "Rents of Buildings and Other Property."

CASE 294.

Query. We pay to the A B Railway Company for rent of G terminal tracks a monthly rent, said track being used for transferring freight to the A B Railway Company in G. To what account should this amount be charged?

Answer. Should be handled through the appropriate "Joint-facilities" accounts in "Operating Expenses" and "Income." That portion representing interest on valuation and taxes should be charged to Rents in "Income" account and that which is for maintenance and operation to the appropriate "Joint-facilities" accounts in "Operating Expenses." (See Case 272.)

CASE 295.

Query. We pay to the X Y Railway Company for rent of 4 miles of main-line track at F a monthly rent, said track being used jointly by the X Y Company and our company on freight and passenger business in and out of F. The expense of maintaining said track is paid by the X Y Railway Company. To what account should this amount be charged?

Answer. 1. Maintenance expense should be charged to "Maintaining Joint Tracks, Yards, and Other Facilities—Dr."

2. Operation expense should be charged to "Operating Joint Tracks and Facilities—Dr."

3. Administration expense should be charged to "General Administration Joint Tracks, Yards, and Other Facilities—Dr."

4. Charges representing interest on valuation and taxes should be charged to Rents in "Income" account.

It is assumed in the answer that there is no yard expense in connection with the traffic in and out of F.

CASE 296.

Query. At various terminals on our railroad we rent to outside parties certain lands and buildings that have no connection with the operations of the road. To what account should these be credited?

Answer. To appropriate rent account under "Income."

CASE 297.

(Answer not finally approved. See *Accounting Series Circular No. 12b.*)

CASE 298.

Query. What account should be charged with payments made to detective agencies for special services to railroad companies?

Answer. Payments for detecting thieves are provided for under "Loss and Damage—Freight," but all detective service is not of this nature. The nature of the service should determine the charge and its disposition should be to the account to which it is analogous.

CASE 299.

Query. Through what account should collections and refunds on account of switch keys be carried?

Answer. The classification is revised, effective on July 1, 1908, so that "Switch Keys" may be charged to "Roadway Tools and Supplies," "Station Supplies and Expenses," "Yard Supplies and Expenses," "Other Supplies for Yard Locomotives," "Other Supplies for Road Locomotives," and "Train Supplies and Expenses," instead of to "Other Track Material," as formerly provided for.

See *Supplement, effective on July 1, 1908, to the Classification of Operating Expenses for Steam Roads, Third Revised Issue.*

CASE 300.

Query. I do not find that the Classification of Operating Expenses provides for payments to elevator companies for transferring grain, en route, from one car to another. We have charged this expense in our accounts to "Station Supplies and Expenses," as this account, in my opinion, should include this expense. Is the disposition of the matter as suggested above proper?

Answer. Should be charged to "Station Employees."

CASE 301.

Query. The railroad companies who are members of a railway clearing house, the purpose of which is to secure the proper distribution and use of freight-car equipment, are charged with expenses in connection with that association. To what accounts should these payments be charged by the railroad companies?

Answer. To "Weighing and Car-Service Associations."

CASE 302.

Query. This company keeps a separate or independent fund from which pensions are disbursed. A certain amount per month, making an annual total twelve times as great, is appropriated through the income account and credited directly to an open account, which is closed annually when the amount is paid over. The pension fund is invested in interest-bearing securities. Whenever pensions are paid the amounts are debited to an open account and about every quarter collected from the trustee of the fund. There are no expenses for administration or otherwise in connection therewith. Does the account "General Expenses—Pensions" apply?

Answer. Amounts paid as pensions are chargeable to "General Expenses—Pensions." (See Case 208.)

CASE 303.

Query. At a certain point the A B Railroad crosses the Y Z Terminal Transfer Railroad, and neither company makes joint use of the other company's tracks. The A B Company maintains and operates the interlocker and bills the other company for one-half of the expense. The Y Z Company has taken the stand on this matter and many other similar crossings that the interlocker

expense was not a joint-facility item between their company and the railroad that it crosses, but that it should be treated as though each company had its own set of employees and devices for protecting the crossing. It has been considered further by the Y Z Company that their proportion of the expense of such interlockers was a joint-facility item only as between their company and its tenants. What ruling should apply?

Answer. See Case 272.

CASE 304.

Query. We recently paid a personal injury claim brought on account of defective highway within the location lines of this company. The parties to whom amount of this claim was paid were not employees of this company, nor passengers; neither were they engaged in any work in connection with the railroad. To what account should be charged the amount so paid?

Answer. To "Injuries to Persons," under "Maintenance of Way and Structures."

CASE 305.

Query. A railroad pays a municipal corporation a fixed amount per annum, which covers fire protection, which consists of the corporation laying water pipes and placing fixtures and supplying water pressure at all times. Should this be charged to "Buildings, Fixtures, etc.," or not?

Answer. Should be charged to "Buildings, Fixtures, and Grounds," under "Maintenance of Way and Structures," if in connection with buildings alone. If for protection of other property, should be charged to appropriate maintenance accounts according to nature of property protected.

CASE 306.

Query. We rent a certain piece of land and build upon it our own depot. To what account should the rent be charged?

Answer. To appropriate rent account under "Income."

CASE 307.

Query. We have leased a certain tract of land to prevent a street from crossing our track at grade, this property not being used for any purpose except a side track on same and used as a blind. To what account should the rent be charged?

Answer. To appropriate rent account under "Income."

CASE 308.

Query. The A & B road is joint owner with the C & D road of a side track jointly used, and the maintenance is borne by the two companies in the ratio of ownership. Each company takes up in its primary accounts its share of the maintenance charges on the theory that in reality such proportions are respectively merely the maintenance of the property of each. The A & B road for convenience pays the full cost of maintenance, charges its primary accounts, and credits the C & D proportion when billed out to the same accounts. Is this correct?

Answer. No. Should be treated as a joint facility. The A & B road should charge its primary accounts with full cost of maintenance and should credit the proportion billed against the C & D road to "Maintaining Joint Tracks, Yards, and other Facilities—Cr." The C & D road in paying these bills should charge "Maintaining Joint Tracks, Yards and Other Facilities—Dr." The question of ownership should not bear upon the proper disposition of accounts for jointly used properties. The fact of such joint use should determine their treatment in the accounts as Joint Facilities. The road maintaining and operating should be the one to charge the full cost of such work to its primary accounts.

CASE 309.

It is recommended that an account "Injuries to Persons" be provided under the Classification of Road and Equipment Accounts, which account shall include the expenses incident to the construction of a new line which may properly be classed under this account.

Answer. Such an account is raised.

See Supplement, effective on July 1, 1908, to Classification of Expenditures for Road and Equipment, First Revised Issue.

CASE 310.

It seems to us that if it is correct and practicable (and we think so) to charge witness fees to the various accounts covering damage to property, it is equally so in the case of personal injuries, and that witness fees in connection with personal injury suits should be charged to the various personal injury accounts, rather than to "Law Expenses."

Answer. Payments to and expenses of employees and others engaged as witnesses in personal injury cases should be charged to the "Injuries to Persons" accounts under the proper general accounts and the texts under the several "Injuries to Persons" accounts are amplified in accordance with the foregoing.

See Supplement, effective on July 1, 1908, to Classification of Operating Expenses for Steam Roads, Third Revised Issue.

CASE 311.

It appears no provision has been made in the present Classification to take care of maintenance of machinery in bridges and building departments—carpenter shops.

Answer. The text of "Maintenance of Equipment" account "Shop Machinery and Tools" is so amplified as to provide for the maintenance of machinery in shops of the bridges and buildings department so as to include all machinery tools.

See Supplement, effective on July 1, 1908, to Classification of Operating Expenses for Steam Roads, Third Revised Issue.

CASE 312.

The question is raised regarding the expenses of joint interlockers located at outlying points, and on stretches of joint tracks.

Answer. See case 272.

See Supplement, effective on July 1, 1908, to Classification of Operating Expenses for Steam Roads, Third Revised Issue.

CASE 313.

What account should be charged with the expense of draping stations along the line of the road? This expense has been charged to "General Expenses—Other Expenses," as we do not believe that "Transportation Expenses—Station Supplies and Expenses," is proper.

Answer. To "Other Expenses—General Expenses."



Accounting Bulletin No. 2

DECISIONS UPON QUESTIONS

RAISED UNDER

CLASSIFICATIONS

PRESCRIBED BY

**THE INTERSTATE COMMERCE
COMMISSION**

FOR ELECTRIC RAILWAYS

IN ACCORDANCE WITH

SECTION 20 OF THE ACT TO REGULATE COMMERCE

Effective on September 1, 1909

**WASHINGTON
GOVERNMENT PRINTING OFFICE
1909**

THE INTERSTATE COMMERCE COMMISSION.

MARTIN A. KNAPP, *of New York.*

JUDSON C. CLEMENTS, *of Georgia.*

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JAMES S. HARLAN, *of Illinois.*

EDWARD A. MOSELEY, *Secretary.*



INTRODUCTORY LETTER.

INTERSTATE COMMERCE COMMISSION,
BUREAU OF STATISTICS AND ACCOUNTS,
Washington, August 16, 1909.

TO CARRIERS CONCERNED:

This bulletin, entitled "Accounting Bulletin No. 2," contains the final answers to a series of questions submitted to the Bureau of Statistics and Accounts in relation to the accounting classifications, prescribed by the Commission for electric railway companies, that became effective on January 1, 1909. The cases selected are regarded as important for the reason that they make clear the meaning or application of the text descriptive of the primary accounts covered by the Classification of Operating Expenses, the Classification of Operating Revenues, and the Classification of Expenditures for Road and Equipment of Electric Railways.

As a matter of information it may be proper to state that the answers to questions recorded in this bulletin have received the approval of the Committee on Standard Classification of Accounts, of the American Street and Interurban Railway Accountants' Association.

HENRY C. ADAMS,
In charge of Statistics and Accounts.

INTERSTATE COMMERCE COMMISSION ACCOUNTING BULLETIN NO. 2.

QUESTIONS AND DECISIONS.

CASE 1.

Query. Is it permissible for electric carriers to renumber the primary accounts of the various classifications for their own convenience, provided the Interstate Commerce Commission numbers are maintained for proper reference and report?

Answer. It is permissible for electric carriers to renumber the primary accounts of the various classifications for their own convenience. For the sake of uniformity, however, it is recommended that the account numbers mentioned in the classifications be used. It is suggested that companies of Class B and Class C, in numbering their operating expense accounts, combine the numbers used in the text of the Classification of Operating Expenses of Electric Railways; for example, the text for the account "Maintenance of Roadway and Track" for companies of Class B is covered by accounts 2 to 12, inclusive, and the suggested number would be 2/12; the text for account "Maintenance of Way" for companies of Class C is covered by accounts 2 to 19, inclusive, and the suggested number would be 2/19, etc.

CASE 2.

Query. Is it proper to charge assessments for construction and maintenance of paving to "Taxes" under "Deductions from Income?"

Answer. No. Account No. 10, "Paving," in the Classification of Expenditures for Road and Equipment of Electric Railways, provides for paving incident to original track construction, while account No. 9, "Paving," in the Classification of Operating Expenses of Electric Railways, covers repairs and renewals of such paving.

CASE 3.

Query. Is a Class C or a Class B road permitted to use the classification of accounts prescribed for carriers of a higher class?

Answer. Electric carriers whose revenues place them in Class C or Class B of the Classification of Operating Expenses prescribed by the Interstate Commerce Commission may, if they so desire, keep their accounts under the more extended classification provided for carriers of a higher class.

CASE 4.

Query. To what account should be charged the wages of billing clerks and cashiers in express offices operated by an electric carrier?

Answer. To operating expense account No. 64, "Station Employees."

CASE 5.

Query. Are carriers required to keep subaccounts for paragraphs (a) to (f) under account No. 23, "Distribution System," and (a) to (i) under account No. 25, "Buildings and Structures," of the Classification of Operating Expenses of Electric Railways; or will it be satisfactory to show the cost in total under such primary accounts?

Answer. The Interstate Commerce Commission does not require the subdivision of account No. 23, "Distribution System," or account No. 25, "Buildings and Structures;" but any carrier desiring to do so may make subdivisions, provided a list of the subprimary accounts be first filed with the Commission.

CASE 6.

Query. To what account should an electric carrier charge wages of employees and cost of repairs, fuel, water, lubricants, and waste, incident to the operation of a steam locomotive and of gasoline and steam motor cars, used regularly as rail equipment?

Answer. If the equipment enumerated is used in revenue service, the wages of employees should be charged to operating expense account No. 60, "Passenger Conductors, Motormen, and Trainmen," or account No. 61, "Freight and Express Conductors, Motormen, and Trainmen."

The cost of repairs to the steam locomotive, and to the locomotive features of gasoline and steam motor cars should be charged to account No. 34, "Locomotives," and the cost of repairs to the car features of the motor cars should be charged to account No. 32, "Passenger and Combination Cars," or account No. 33, "Freight, Express, and Mail Cars."

The cost of fuel should be charged to account No. 51, "Fuel for Power;" the cost of water to account No. 52, "Water for Power;" the cost of lubricants to account No. 53, "Lubricants for Power;" and the cost of waste to account No. 54, "Miscellaneous Power-Plant Supplies and Expenses."

If the steam locomotive and the motor cars are used in nonrevenue service, the expenses should be handled in the same manner as those for "Service Cars."

CASE 7.

Query. To what account should be charged the cost of repairs and renewals of electric car heaters?

Answer. The cost of repairs and renewals of electric car heaters, including wiring for same, should be charged to operating expense account No. 32, "Passenger and Combination Cars," or account No. 33, "Freight, Express, and Mail Cars." (See Case 9.)

CASE 8.

Query. Should electric railways observe the Classification of Revenues and Expenses for Outside Operations of Steam Roads in handling similar matters?

Answer. No classification of revenues and expenses for outside operations has been prescribed for electric railways.

CASE 9.

Query. Should motors for air governors and pumps on cars be regarded as part of the electrical equipment, and the cost of repairs and renewals thereof be charged to account No. 36, "Electric Equipment of Cars?"

Answer. No. Electrical equipment of cars includes the electric motive equipment and wiring. The term "car" includes the car body and trucks, electric bells and wiring, electric heaters and wiring, electric lighting and wiring, and air-brake equipment and wiring. Motors for air governors and pumps on cars should, therefore, be charged either to operating expense account No. 32, "Passenger and Combination Cars," account No. 33, "Freight, Express, and Mail Cars," account No. 34, "Locomotives," or account No. 35, "Service Cars." (See Case 7.)

CASE 10.

Query. Are electric carriers at liberty to open a clearing account for store expenses and apportion same on a basis of material issued? If so, should only the amount chargeable to operating expenses be charged to account No. 85, "Store Expenses," and so reported to the Commission, or should this account also include expenses incurred in connection with material issued for construction and betterments?

Answer. Electric railway carriers are at liberty to open a clearing account for store expenses and apportion the amounts charged thereto.

The total amount chargeable to operating expenses should be charged to account No. 85, "Store Expenses."

Account No. 85 should not include expenses incurred primarily in connection with material issued for construction and additions and betterments. Carriers are at liberty to distribute for their own purposes items covered by this account to other operating expense accounts affected, but in their reports to the Interstate Commerce Commission the entire charge for store expenses chargeable to operating expenses should be reported under account No. 85.

CASE 11.

Query. Please explain the various accounts "Other Operations—Dr. and Cr.," contained in the Classification of Operating Expenses of Electric Railways, particularly the paragraphs entitled "Coordinate Departments."

In connection with these accounts, our understanding of account No. 56, "Power Purchased," is that it should show the total amount expended for this purpose, and that the amounts used for lighting shops, carhouses, etc., should be charged to accounts affected and an offsetting credit made to account No. 59, "Other Operations—Cr." Is this correct?

Answer. The accounts "Other Operations—Dr., Coordinate Departments," and "Other Operations—Cr., Coordinate Departments," are to be used by electric railways which engage in other lines of business, such as the production of light and power for sale. In case the cost of producing power is carried in the primary accounts of the light department, the proportion of operating expenses chargeable to the railway department should be charged to the various "Other Operations—Dr." accounts. In case the cost of producing power is carried in the primary accounts of the railway department, the proportion of operating expenses chargeable to the light or other departments should be credited to the various "Other Operations—Cr." accounts.

Account No. 56, "Power Purchased," covers the cost of power purchased from other companies primarily for the propulsion of cars, and account No. 59, "Other Operations—Cr.," should not be used in connection therewith, unless a portion of the power purchased is used by another Coordinate Department, such as Electric Light, Heat, Power, or Gas, within the same company.

CASE 12.

Query. To what operating expense or other account should be charged rents paid for Ohmer Fare Registers used on electric cars?

Answer. To operating expense account No. 63, "Miscellaneous Car-Service Expenses."

CASE 13.

Query. To what account should be charged rent paid for land on which is located a carhouse used as a regular operating carhouse?

Answer. To operating expense account No. 67, "Carhouse Expenses."

CASE 14.

Query. Account No. 63, "Miscellaneous Car-Service Expenses," provides for the cost of tickets, transfers, and baggage checks. Should not the cost of all stationery, such as rate sheets, waybills, bills of lading, etc., used in connection with the operation of passenger, express, or freight cars be charged to this account?

Answer. No. Charge to account No. 84, "Stationery and Printing." Carriers are at liberty to distribute the items covered by the undistributed accounts in the Classification of Operating Expenses of Electric Railways, but all reports to the Commission should agree with the accounts which are prescribed. (See Cases 13 and 23.)

CASE 15.

Query. Account No. 44, "Miscellaneous," in the Classification of Expenditures for Road and Equipment of Electric Railways covers, among other things, "the cost of printing certificates of stocks and bonds, with payments to trustees and expenses incurred in the disposal of securities." Will it be correct to charge to this account expenses of this nature when they relate to the issuance of bonds by an operating electric railway company for construction and additions and betterments?

Answer. Yes.

CASE 16.

Query. Please explain account No. 77, "Relief Department Expenses." Also please advise to what account should be charged an employee's wages when paid while he is suffering from an injury and is not able to work.

Answer. Account No. 77, "Relief Department Expenses," is intended to cover cost of operation of and contributions to a relief department or association. Wages paid to an employee while he is suffering from an injury should be charged to account No. 82, "Injuries and Damages," if the injury occurred while the employee was on duty or if the company was responsible. Voluntary contributions made to

employees or families of employees on account of sickness or other inability to perform their duties should be charged to account No. 79, "Miscellaneous General Expenses."

CASE 17.

Query. We have installed in our different carhouses some large storage tanks for compressed air. The compressed air is used in filling air tanks on cars for the operation of brakes. To what account should we charge the maintenance and operation of said tanks?

Answer. The cost of maintenance should be charged to account No. 38, "Shop Machinery and Tools," and the cost of operation to account No. 63, "Miscellaneous Car-Service Expenses."

CASE 18.

Query. To what account should be charged the cost of printing expense bills, balance sheets, and other stationery used in the handling of express and freight business incident to the operation of an electric railway?

To what account should be charged printing and stationery used by clerks whose salaries are charged to account No. 1, "Superintendence of Way and Structures;" account No. 29, "Superintendence of Equipment," and account No. 48, "Superintendence of Transportation?"

Answer. The cost of expense bills, balance sheets, and other stationery should be charged to account No. 84, "Stationery and Printing." By referring to the note under "Undistributed Accounts," on page 45 of the Classification of Operating Expenses of Electric Railways, it will be found that carriers are at liberty to distribute items covered by accounts Nos. 82 to 88, inclusive, but that all reports to the Commission must agree with the accounts which are prescribed.

The cost of stationery and printing used by clerks whose salaries are charged to accounts Nos. 1, 29, and 48 should be charged to account No. 84. (*See Cases 14 and 23.*)

CASE 19.

Query. We have on our lines foreign cars on which we pay a per diem charge. To what account should an expense of this nature be charged? To what account should be charged the maintenance of such cars while on our tracks?

Answer. Per diem on foreign cars should be charged to account No. 88, "Rent of Equipment," and the maintenance of such cars while on your tracks to account No. 32, "Passenger and Combination Cars;"

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account No. 33, "Freight, Express, and Mail Cars;" account No. 35, "Service Cars;" or account No. 36, "Electric Equipment of Cars."

CASE 20.

Query. We have electric cars equipped and used as pile driver, steam shovel, concrete mixer, and stone crusher. To what accounts should be charged the maintenance of these cars and the machinery?

Answer. The maintenance of such cars and machinery should be charged to account No. 35, "Service Cars," or account No. 36, "Electric Equipment of Cars," except when the cars are used on work not chargeable to operating expenses.

CASE 21.

Query. To what account should be charged the wages of clerks in carhouses whose duty it is to furnish motormen and conductors with their tickets and supplies, and to receive from conductors their daily remittances and arrange same before sending to the general office?

Answer. To operating expense account No. 48, "Superintendence of Transportation."

CASE 22.

Query. To what account should an electric carrier charge commissions and wages paid for the sale of school and other tickets at various stores along the line?

Answer. If the tickets are sold at stores which can be considered stations, charge commissions and wages paid to account No. 64, "Station Employees;" if the stores can not be considered stations, charge to account No. 45, "Superintendence and Solicitation."

CASE 23.

Query. To what account should be charged the cost of printing and furnishing reports made by conductors each day (trip sheets) and shortage notices?

Answer. To operating expense account No. 84, "Stationery and Printing." (See Cases 14 and 18.)

CASE 24.

Query. To what account should be charged the salary and expenses of a supervising engineer in charge of the construction of a new line and buildings, and the installation of machinery in power plants? It is

not clear to us whether these expenses should be charged to account No. 1, "Engineering and Superintendence," or charged directly to the account for which incurred, in accordance with Note B.

Answer. If the engineer in question has direct supervision over all of the work in connection with the construction of a new line, it will probably not be possible to apportion his salary and expenses among the various construction accounts, and charges should, therefore, be made to account No. 1, "Engineering and Superintendence," in the Classification of Expenditures for Road and Equipment of Electric Railways.

Note B, under account No. 1, provides that, whenever it is possible, the expenses enumerated should be charged directly to the account for which incurred, as for example, power-plant buildings, or shops and carhouses. However, it is not the intention to insist upon any unnecessary refinement in accounting for such matters.

CASE 25.

Query. Should all the ties, rails, rail fastenings, and joints used in connection with cross-overs, curves, and turn-outs be charged to account No. 8, "Special Work," in the Classification of Expenditures for Road and Equipment of Electric Railways? What is meant by the term "curves," as specified in said account?

Answer. Account No. 8, "Special Work," is not intended to cover the cost of ties, rails, rail fastenings, and joints. These items should be charged to accounts provided for such expenditures. The terms "cross-overs," "curves," and "turn-outs" cover only those portions of track which are made to order.

Ordinary curves should be treated as "rails," and other curves as "Special Work."

CASE 26.

Query. What instructions, if any, have been issued by the Interstate Commerce Commission covering the treatment of amounts expended by electric railways for betterments and improvements?

Answer. The Commission has issued no instructions to electric railways relative to additions and betterments expenditures. Until advised to the contrary, it will only be necessary for such carriers to dispose of expenditures of this nature in accordance with the Classification of Expenditures for Road and Equipment of Electric Railways.

CASE 27.

Query. Will a company using the standard system of electric railway accounting recommended by the Street Railway Accountants' Associa-

tion of America be required to adopt the Classifications of Operating Revenues and Operating Expenses of Electric Railways as prescribed by the Interstate Commerce Commission?

Answer. If a company engages in the interstate transportation of persons or property, it should keep its accounts in accordance with the classifications of the Interstate Commerce Commission effective on January 1, 1909.

CASE 28.

Query. To what account should be charged the cost of cleaning the conduit under tracks and removing dirt and trash of various kinds which collects therein on roads operated by the underground conduit system?

Answer. This is a feature of maintenance, and is properly chargeable to operating expense account No. 11, "Cleaning and Sanding Tracks."

CASE 29.

Query. We note that the accounts "Interest, Discount, and Exchange" and "Taxes," heretofore carried by many companies in their general expense, have been dropped from the classification of the Interstate Commerce Commission. Please advise as to the manner in which they should be handled.

Answer. Interest, discount, exchange, and taxes, when arising in connection with operations, should be handled through the Income Account. Interest in connection with expenditures for road and equipment should be handled through primary account No. 41, "Interest," in the Classification of Expenditures for Road and Equipment of Electric Railways.

CASE 30.

Query. This company's tower wagon is frequently used in connection with the construction of electric lines along new tracks, and it has been our custom to credit to "Stable Expenses" the cost of the service. Is this correct?

Answer. The expenses of repair or tower wagons which are frequently used in construction work should be apportioned between maintenance and construction accounts in accordance with the use to which they are put. If expenses properly chargeable to construction have been included in account No. 40, "Horses and Vehicles," and account No. 86, "Stable Expenses," these accounts should receive proper credit.

CASE 31.

Query. A railway company's shop performs services properly chargeable to various construction accounts and to other companies and persons. To what account should be credited the department expense added to the cost of labor and material to cover a portion of miscellaneous shop and storeroom expenses?

Answer. It should be credited to the proper accounts under Operating Expenses.

CASE 32.

Query. To what accounts should the following charges be made?

1. Rents paid to private firms or individuals for the right to operate over private property.
2. Rent for land on which pole-line right of way for high-tension lines is located.
3. Amounts paid to municipalities for the right to operate cars over and across streets.
4. Amounts paid to boards of public works, county officers, etc., for the right to operate cars on and across public highways.

Answer. 1. Charge to account No. 19, "Other Miscellaneous Way Expenses."

2. Charge to account No. 24, "Miscellaneous Electric Line Expenses."

3 and 4. Charge to "Taxes" under "Deductions from Income."

CASE 33.

Query. To what account or accounts should be credited charges made against operation and construction accounts for electricity furnished by an electric railway company for the use of its shop motors, carhouse lighting, running of construction cars engaged in company service, such as building new tracks, etc.?

Answer. The Classification of Operating Expenses of Electric Railways does not require a segregation of the cost of power to shops, carhouses, etc. The last paragraph on page 7 of the Classification provides that any carrier may "keep any temporary or experimental accounts, the purpose of which is to develop the efficiency of operations: *Provided, however,* That such temporary or experimental accounts shall not impair the integrity of any general or primary account hereby prescribed; and that any such temporary or experimental accounts shall be open to inspection by the Commission." It is therefore permissible for any carrier to ascertain for its own information the cost of power used at shops or carhouses.

The Classification of Operating Expenses of Electric Railways does not contemplate that any distribution shall be made to maintenance accounts for electricity furnished by an electric railway for the use of its shop motors, carhouse lighting, or running of work cars engaged in maintenance.

The actual cost of operating work cars for construction purposes, such as building new tracks, etc., is properly chargeable to construction accounts, and proper credit may be given to revenue account No. 16, "Rents of Equipment," and revenue account No. 18, "Power."

CASE 34.

Query. A large percentage of the purchases made by the Purchasing Department of this company are for construction and betterment purposes. Would it be permissible to charge to the appropriate construction and betterment accounts such a proportion of the salaries and expenses of that department as would fairly represent the expense of the purchases made primarily for such construction and betterments?

Answer. The Classification of Operating Expenses of Electric Railways is intended to cover operating expenses only, and it is proper to charge to the appropriate construction and betterment accounts such a proportion of the salaries and expenses of purchasing agents and assistants as would fairly represent the expense of the purchases made for such construction and betterments. In the consideration of this question account No. 85, "Store Expenses," should not be overlooked.

CASE 35.

Query. What is meant by "Undistributed Accounts" in the Classification of Operating Expenses of Electric Railways?

Answer. Undistributed accounts are those which contain expenses properly chargeable to more than one of the five general accounts under Operating Expenses. For example, there are injuries which, from a strict accounting standpoint, should be charged under "Way and Structures," "Equipment," etc. There are various difficulties in distributing these expenses among the various general accounts and the Commission is willing that all expenses for injuries should be carried in account No. 82, "Injuries and Damages," under general account "General and Miscellaneous."

CASE 36.

Query. A carrier conducting a railway, lighting, and power business carries its general accounts in the lighting and power department. A

monthly charge for power is made to the street railway department and to the lighting department. Are the monthly charges for power to the lighting and street railway departments satisfactory and is a single balance sheet for the entire business permissible?

Answer. Each carrier conducting a railway, lighting, and power business is at liberty to decide for itself under which department the primary operating expense accounts shall be carried, and should decide upon the basis of division of expenses among the various departments. If the expenses are carried under the lighting and power department, it will be necessary to show on the books of the railway department under accounts Nos. 27, 43, 58, and 80, "Other Operations—Dr.," the proportions chargeable to the railway department under "Way and Structures," "Equipment," "Conducting Transportation," and "General and Miscellaneous." The amounts charged to the railway department should be handled in the books of the lighting and power department through such accounts as "Other Operations—Cr."

The Commission has not prescribed a classification of revenues and expenses for outside operations for electric railways.

One balance sheet is all that is necessary for the entire business described in this query.

CASE 37.

Query. To what account should be charged payments made to the Government, on the basis of a specific charge per passenger, for the privilege of operating cars over its bridge?

Answer. Charge to "Taxes."

CASE 38.

Query. What disposition should be made of custom labor or labor of employees in various departments on work entirely outside of railway operation, for which the railroad is reimbursed the wages of the employees, together with the profit on same and the general shop expenses? What disposition should be made of profits on new material sold to some outside concern from storeroom stock which has been handled in Sales Account?

Answer. Assuming that the amount involved in "Custom Labor" account is small, and that the expenses have been charged to operating accounts, items covering labor performed for outside parties, together with the percentage added for profit and general shop expenses, should be debited to "Accounts Receivable" and credited to the operating expense accounts originally charged.

The net revenue from the "Sales Account" should be handled as Miscellaneous Income.

CASE 39.

Query. To what account should be charged the cost of new structures and general improvements in a free private park and the maintenance expenses of such park?

Answer. The cost of new structures and improvements of a substantial character in a free private park should be charged to account No. 33, "Park and Resort Property," in the Classification of Expenditures for Road and Equipment of Electric Railways.

Maintenance expenses of such park should be charged to operating expense account No. 46, "Advertising."

CASE 40.

Query. Should the expense of sprinkling streets be charged to the same account as sanding and cleaning track?

Answer. The cost of sprinkling roadway and track, when not done directly in connection with construction or repairs of track or paving, should be charged to operating expense account No. 11, "Cleaning and Sanding Tracks." The cost of sprinkling rendered necessary by construction or repairs of track or paving should be charged to the proper construction or maintenance account.

CASE 41.

Query. A company, organized for purely local street railway business and having no electric lighting or gas department and no joint arrangement with any other company in the operation of cars, requests information as to the manner in which the accounts in various parts of the Classification of Operating Expenses, "Other Operations—Dr." and "Other Operations—Cr.," would enter into its records.

Answer. From the foregoing statement it is evident that the company in question will not require the accounts "Other Operations—Dr." and "Other Operations—Cr." It is not expected that a carrier will keep any accounts on its books for which it has no need.

CASE 42.

Query. The A and B Light and Traction Company operates gas, electric light, and street railway properties. The operating expenses of the three coordinate departments are kept entirely separate, except the general expenses, consisting of clerical salaries, rent, taxes, and

office supplies. Will it be satisfactory to the Commission for us to continue carrying expenses of this character in one account covering all departments, and so state the fact in our annual report?

Answer. Where a company operates both a railway department and a lighting department, the entire cost of producing power should be carried in the primary accounts either of the railway department or of the lighting department, and the amounts chargeable to the other department should be handled through the various accounts, "Other Operations—Dr." and "Other Operations—Cr." For example, if the cost of power is carried in the primary accounts of the railway department, the proportion of operating expenses chargeable to the lighting department should be credited to the various "Other Operations—Cr." accounts. In the case cited; the proportion of "General Expenses" chargeable to the lighting department would appear as a credit under account No. 81, "Other Operations—Cr."

Taxes need not be subdivided between the railway and lighting departments. Taxes should be treated through the Income Account.

CASE 43.

Query. We are charging to account No. 56, "Power Purchased," the actual cost of electric current generated at our plant (gas, electric light, and street railway property) consumed by the railway department. Is this correct?

Answer. The practice above outlined is not in accordance with the requirements of the Classification of Operating Expenses of Electric Railways. Account No. 56, "Power Purchased," is provided for expenditures for power purchased from other companies. (See Case 42.)

CASE 44.

Query. To what account should be credited the amount received from the sale of manure removed from stables?

Answer. To operating expense account No. 86, "Stable Expenses."

CASE 45.

Query. This company operates a sprinkling car for the purpose of sprinkling certain streets and highways on which our track is laid. The city in which this service is performed pays us, as its proportion of the cost of this service, from 15 to 20 cents per sprinkler car-mile run. Please advise to what accounts the corresponding debits and credits should be made.

Answer. The amount received from the city should be credited to revenue account No. 9, "Miscellaneous Transportation Revenue."

In case the service mentioned is performed primarily as a service for the benefit of the road, and the amount received from the city is only incidental, the expense of operating the sprinkling car should be charged to operating expense account No. 11, "Cleaning and Sanding Tracks," and the cost of maintenance and repairs to account No. 35, "Service Cars." If, however, the service rendered is primarily for revenue purposes, the operating expenses should be charged to the appropriate operating expense accounts, as in any other revenue movements.

CASE 46.

Query. Is there not a conflict between account No. 10, "Paving," and account No. 16, "Crossings, Fences, Cattle Guards, and Signs," in the Classification of Expenditures for Road and Equipment of Electric Railways, so far as they refer to "labor and material on cross walks?"

Answer. There is no conflict between the accounts mentioned. Account No. 10 embraces the expense of labor and material used in cross walks constructed in connection with paving on streets along which the electric road extends; while account No. 16 covers street and road crossings at other points, where it may be necessary to construct entirely new crossings or to provide crossings of an improved character over those previously existing.

CASE 47.

Query. To what operating expense account should be charged the cost of labor and material used in connection with the repair of overhead contacts installed in the trolley wire, and of wires leading from the trolley to magnets, etc., which operate an electric track switch, a device for automatically doing the work of a switchman through the operation of the magnets?

Answer. The cost of material should be charged to account No. 6, "Special Work," and the cost of labor to account No. 8, "Roadway and Track Labor."

CASE 48.

Query. To what account should be charged amount paid for rent of land on which a "Y" or switch is located?

Answer. To account No. 19, "Other Miscellaneous Way Expenses," in the Classification of Operating Expenses of Electric Railways.

CASE 49.

Query. This company has an arrangement with telephone, telegraph, and electric lighting companies, whereby it pays an amount for the

privilege of making attachments to their poles for carrying its wires, and collects from them another amount for attachments to its poles for carrying their cables and wires. To what accounts should the resulting debit and credit be made?

Answer. Charge amount paid to operating expense account No. 24, "Miscellaneous Electric Line Expenses," and credit amount received to revenue account No. 17, "Rents of Buildings and Other Property."

CASE 50.

Query. To what account should be charged the cost of *material* used in the construction of a retaining wall for the protection of banks from high tides, it being understood that account No. 8, "Roadway and Track Labor," is intended to cover the cost of labor expended in such work?

Answer. Operating expense account No. 8, "Roadway and Track Labor," is intended to cover the cost of *labor* expended in "protecting banks by retaining walls, riprap, piling, dikes, or other means." The cost of *material* used in connection with work properly chargeable to operating expenses should be charged to account No. 10, "Miscellaneous Roadway and Track Expenses."

Expenditures of the above nature arising in connection with the construction of a new road should be charged to account No. 4, "Grading," in the Classification of Expenditures for Road and Equipment of Electric Railways.

CASE 51.

Query. To what account should be charged rent of land used for storage of track material, part of which is for use in repairs of track, but most of which is for use in the construction of new track?

Answer. Unless the amount paid for rent of land used for the storage of track material is a large item, such as several hundred dollars per annum, it should be charged to operating expense account No. 85, "Store Expenses." In case the amount paid is a considerable item, there is no objection to including an appropriate proportion in the construction accounts. Owing to the fact that it would be impracticable to divide this rental charge among the various construction material accounts, the amount should be charged to account No. 44, "Miscellaneous," in the Classification of Expenditures for Road and Equipment of Electric Railways.

CASE 52.

Query. Has the Interstate Commerce Commission prescribed any account for depreciation of way and structures or equipment?

Answer. The Interstate Commerce Commission does not require any electric railway company to keep account No. 26, "Depreciation of Way and Structures," and account No. 42, "Depreciation of Equipment," unless these accounts are prescribed by the Railway Commission of any State in which such company operates mileage.

CASE 53.

Query. Is it proper to charge to account No. 41, "Interest," in the Classification of Expenditures for Road and Equipment of Electric Railways, interest paid on loans made for construction purposes by an operating electric railway company, said interest accruing on money used in building new tracks and for additional power-plant equipment and other construction purposes?

Answer. Interest which is paid or which accrues during construction should be charged to account No. 41, "Interest." Interest which accrues after the completion of the work is not chargeable to this account.

CASE 54.

Query. Should revenue account No. 15, "Rents of Tracks and Terminals," be credited with all compensation received for the use of tracks and electric lines, including services performed in connection with the dispatching and general supervision of the electric cars of one company using the tracks of another company?

Answer. All compensation of this nature should be credited to revenue account No. 15, "Rents of Tracks and Terminals." No provision is made in the electric classifications for joint facilities accounts.

CASE 55.

Query. This company owns a nine-story building. One-third of the ground floor is used for tracks for cars running into and out of the building, waiting room, ticket office, etc., and the balance is rented for store purposes, concessions, etc. The general offices occupy about one floor, and the remaining floors are rented for office purposes. Should rents received from tenants be credited to operating revenues or miscellaneous income?

Answer. Rents should be credited to revenue account No. 17, "Rents of Buildings and Other Property," if the expense of maintaining and operating the portions rented can not be separated from the expense of maintaining and operating the portion used by the railway company. In case the expense of maintaining and operating the por-

tions rented can be separated from the expense of maintaining and operating the portion used by the railway company, the rents received should be included in Income and not in Operating Revenues, and the expense of maintaining and operating the rented portions should be charged against the rents received.

CASE 56.

Query. We are in doubt as to the proper account to be charged for trolley parts, namely, wheels, axles, washers, springs, harps, poles, bushings, etc., and carbon brushes, carbons, headlight parts, etc. Should these items be charged to accounts 32 to 37, inclusive, or to account No. 63, "Miscellaneous Car-Service Expenses?"

Answer. All such parts as pertain to maintenance of equipment are chargeable to operating expense account No. 32, "Passenger and Combination Cars;" account No. 33, "Freight, Express, and Mail Cars;" account No. 34, "Locomotives;" account No. 35, "Service Cars;" account No. 36, "Electric Equipment of Cars;" or account No. 37, "Electric Equipment of Locomotives." Account No. 63, "Miscellaneous Car-Service Expenses," includes only such items as do not pertain to maintenance of equipment. The following indicates the line of demarcation between the electric equipment of a car and a car: Electric equipment of a car includes the electric motive equipment and wiring; the term "car" includes the car body and trucks, electric bells and wiring, electric heaters and wiring, electric lighting and wiring, and air-brake equipment and wiring. Under this segregation carbons used in electric arc headlights are chargeable to account No. 63, "Miscellaneous Car-Service Expenses," and the other items named to accounts 32 to 37, inclusive.

CASE 57.

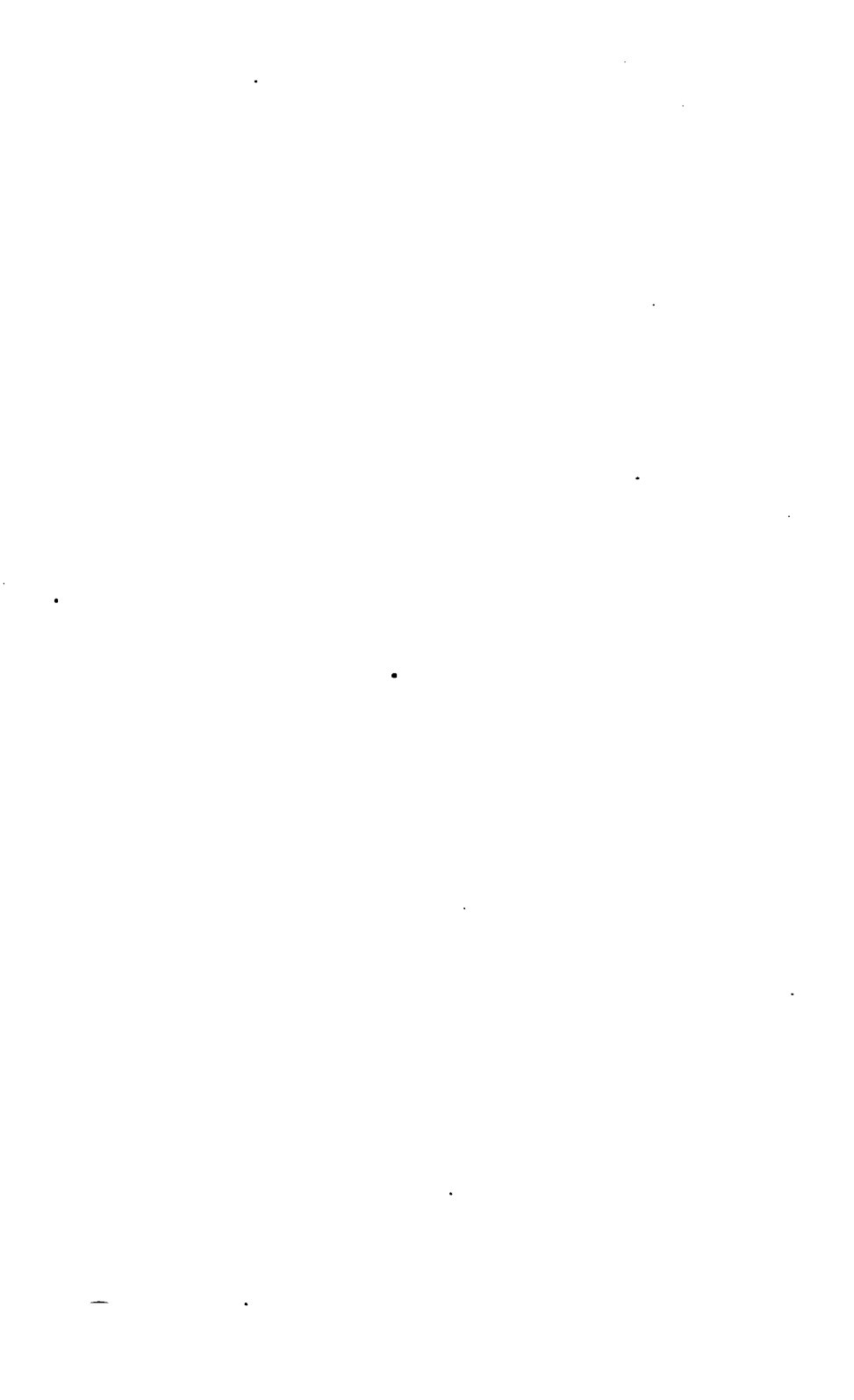
Query. Are Class B and Class C electric carriers required to keep the 44 accounts composing the Classification of Expenditures for Road and Equipment of Electric Railways, and the 19 accounts composing the Classification of Operating Revenues of Electric Railways, the same as Class A carriers?

Answer. All electric carriers subject to the jurisdiction of the Interstate Commerce Commission are required to keep their road and equipment and revenue accounts in the same manner, no condensed classification of road and equipment accounts or of revenue accounts being provided for Class B or Class C carriers.

CASE 58.

Query. What is meant by the term "Car Hours" as used in the Mileage, Traffic, and Miscellaneous Statistics of the Annual Report, particularly with reference to "Passenger-Car Hours?"

Answer. "Passenger-Car Hours" include not only the actual time while in revenue service, but also the time consumed in running from carhouses to points where regular service is begun, time lost between trips, and time lost on account of delays caused by blockades, parades, etc. It includes the entire time during which the cars are in charge of the motormen and conductors.



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Accounting Bulletin No. 3

DECISIONS UPON QUESTIONS

RAISED UNDER

CLASSIFICATIONS

PRESCRIBED BY

**THE INTERSTATE COMMERCE
COMMISSION**

FOR EXPRESS COMPANIES

IN ACCORDANCE WITH

SECTION 20 OF THE ACT TO REGULATE COMMERCE

Effective on September 1, 1909

**WASHINGTON
GOVERNMENT PRINTING OFFICE
1909**

THE INTERSTATE COMMERCE COMMISSION.

MARTIN A. KNAPP, *of New York.*

JUDSON C. CLEMENTS, *of Georgia.*

CHARLES A. PROUTY, *of Vermont.*

FRANCIS M. COCKRELL, *of Missouri.*

FRANKLIN K. LANE, *of California.*

EDGAR E. CLARK, *of Iowa.*

JAMES S. HARLAN, *of Illinois.*

EDWARD A. MOSELEY, *Secretary.*



INTRODUCTORY LETTER.

INTERSTATE COMMERCE COMMISSION,
BUREAU OF STATISTICS AND ACCOUNTS,
Washington, August 20, 1909.

TO CARRIERS CONCERNED:

This bulletin, entitled "Accounting Bulletin No. 3," contains the final answers to a series of questions submitted to the Bureau of Statistics and Accounts in relation to the accounting classifications, prescribed by the Commission for express companies, that became effective on July 1, 1908. The cases selected are regarded as important for the reason that they make clear the meaning or application of the text descriptive of the primary accounts covered by the Classification of Operating Expenses, the Classification of Operating Revenues, and the Classification of Expenditures for Real Property and Equipment of Express Companies.

Questions pertaining to the interpretation of the prescribed classifications are invited, to the end that such questions, with the answers thereto, may be published in subsequent issues of Accounting Bulletins.

HENRY C. ADAMS,
In charge of Statistics and Accounts.

INTERSTATE COMMERCE COMMISSION ACCOUNTING BULLETIN NO. 3.

QUESTIONS AND DECISIONS.

CASE 1.

Query. To what account shall amounts expended for buildings erected on leased ground be charged? Could not such amounts be charged to Operating Expenses in monthly installments covering the period of lease?

Answer. The cost of buildings or structures which are of such nature and use as to be worthless at the expiration of a lease may be charged to Operating Expenses in monthly installments covering the period of lease. In the case of other buildings or structures, the monthly charge to Operating Expenses should be computed according to the principles which govern depreciation charges.

CASE 2.

Query. We fail to find any provision for buildings of the company that are on ground owned by the company and are occupied in part by the company, the remainder being occupied by tenants who pay rent. Is it the intention to keep separate the ground on which buildings are erected from the buildings themselves? Manifestly, there have been cases where we bought the property without separating the cost of the land from the cost of the buildings, and there have been cases where the land has appreciated and the buildings have depreciated, and there are no records to show what the buildings cost originally.

Answer. The query, if understood correctly, indicates the misapprehension that the classification issued requires a redistribution of property and equipment accounts. The Classification of Expenditures for Real Property and Equipment of Express Companies is designed primarily for distributing expenditures for property and equipment (not replacing previously existing property and equipment) made sub-

sequently to the date on which the classification became effective. If, however, expenditures incurred before that date can be redistributed according to the classification, the redistribution may be made.

CASE 3.

Query. We have an account which we have heretofore called "Premium and Discount," which consists principally of charges for exchange on remittances from our depositaries at distant points in the United States to our General Cashier. I do not find in the classification anything that will just cover them and beg to inquire as to where we should charge them. The funds upon which the charges accrue consist of balances due from agents in the regular course of business.

Answer. Exchange paid for agents' remittances to the General Cashier should be charged to Operating Expenses, account No. 48, "Other Expenses," under "General Expenses."

CASE 4.

Query. Referring to revenue accounts Nos. 6 and 7: to which account should earnings on money orders sold in Canada be credited?

Answer. The revenue from money orders sold in Canada, Mexico, Newfoundland, and Continental United States should be classed as "Domestic" and credited to account No. 6, "Money Orders—Domestic," if payable in the countries named. If payable in other countries, the revenue should be credited to account No. 7, "Money Orders—Foreign."

CASE 5.

Query. There are certain items which have always been charged by express companies to Loss and Damage Account, which are not provided for in the Classification of Operating Expenses. For instance, loss on financial paper, such as payment of money orders on forged indorsements, bad debts, or uncollectible accounts. Can such items be properly charged to account No. 35, "Loss and Damage—Money," or shall they be included in a separate account?

Answer. Losses occasioned by reason of payment of money orders on forged indorsements should be charged to account No. 48, "Other Expenses," under "General Expenses." A loss occasioned through inability to collect the amount due on a shipment should be charged to Income Account if the charge is made during the same fiscal year in which the earnings were credited. If the charge is not made in the same fiscal year, then Profit and Loss should be charged with the amount.

CASE 6.

Query. We own a building which is occupied by the local office, the division superintendent, and by others not connected with the express business, and it is practically impossible to separate the expenses of the portion occupied by this company from the portion leased to others. Will it be permitted to charge the expenses of maintaining and operating this building as an operating expense under the proper heading? If so, which should we credit to the general account "Revenue from Operations Other than Transportation" under the primary account "Rents of Buildings and Other Property," the entire rent of the building or only that portion paid to the express company? If the latter, what would be the proper distribution for the balance?

Answer. The Classifications of Operating Expenses and Operating Revenues of Express Companies do not contemplate that a company should include in its operating expenses any charge for the rent of its own property, and it follows that there would be no corresponding credit therefor in operating revenues. Operating expense account No. 26, "Rent of Local Offices," is intended to cover only rents actually paid, and operating revenue account No. 5, "Rents of Buildings and Other Property," is intended to embrace only rents actually received. It is obvious that a company may not pay to and receive from itself any such rents.

CASE 7.

Query. At E—— City office we are joint with the Passenger Department of the A, B & C Railway, which railway controls the office and we pay a specified amount to cover all expenses. Should we apportion that amount to various accounts? If so, what accounts?

Answer. It is understood that the items covered by the amount paid to the railway company are all "Transportation Expenses." If this is correct, you should charge the amount to account No. 39, "Operating Joint Facilities—Dr."

CASE 8.

Query. To what account should losses in excess of amounts of bonds be charged when such losses are occasioned by defalcation or embezzlement on the part of employees?

Answer. If the charge is made during the same fiscal year in which the loss occurs, the amount in excess of the bond should be charged to account No. 48, "Other Expenses," under "General Expenses." If not made in the same fiscal year the charge should be made to Profit and Loss Account.

CASE 9.

Query. I can not find that the classifications make any provision for corporation, city, or state taxes. To what account should they be charged?

Answer. Taxes are not considered operating expenses, but should be treated as deductions from income. An item has been provided for taxes on the Income Account page of the Annual Report form.

CASE 10.

Query. To what account should be charged the cost of stationery furnished for use in the offices of superintendents and other officers whose pay is chargeable to account No. 21 under general account "Transportation Expenses?"

Answer. The cost of stationery and stationery supplies used by officials whose pay is chargeable to account No. 21, "Superintendence," should be charged to account No. 33, "Stationery and Printing," under "Transportation Expenses."

CASE 11.

Query. To what account should the cost of small signs furnished for rented buildings and depots be charged?

Answer. This expense seems analogous to the items covered in account No. 17, "Advertising," under "Traffic Expenses," and should therefore be charged to that account.

CASE 12.

Query. To what account should the cost of drivers' uniforms be charged?

Answer. The cost of drivers' uniforms should be charged to account No. 28, "Stable Supplies and Expenses."

It is the intention that the three primary accounts, "Wagon Employees," "Stable Employees," and "Stable Supplies and Expenses," shall, as nearly as may be possible, represent the cost of operation of the collection and delivery service. This being the case, expenses not specifically named in the Classification of Operating Expenses, that are incurred in the operation of that service, should be charged to one of the three accounts named.

CASE 13.

Query. How should the revenues and expenses of European business be treated?

Answer. The "Foreign" business, other than the sale of financial paper, done by express companies should be included in "Outside Operations," the revenues and expenses of which are to be kept separate from those of express operations in the United States. When operations in Canada, Mexico, Cuba, Porto Rico, or Hawaii are conducted as integral parts of a company's business, the revenues and expenses of such operations should be included with the revenues and expenses of operations in the United States. When not so conducted revenues and expenses of operations in those countries should be included in "Outside Operations."

CASE 14.

Query. Should a portion of the salaries and expenses of Route Agents, Traveling Agents, and Solicitors, as well as of City Solicitors, be charged to "Traffic Expenses?"

Answer. Salaries and expenses of employees while engaged exclusively in supervising or soliciting traffic should be charged to "Traffic Expenses," regardless of whether such employees may, at other times, be engaged in other branches of the business, it being the intention to assign to "Traffic" all expenses properly assignable to it.

CASE 15.

Query. To what account should rent, attendance, linen, laundry, and incidental expenses of messengers' sleeping rooms be charged?

Answer. To primary account No. 30, "Train Supplies and Expenses."

CASE 16.

Query. Should the expense of a wagon haul used in lieu of train service be charged to "Express Privileges—Dr." when the company owns and operates the wagons?

Answer. It is not considered that the expenses of a wagon haul are in the nature of "Express Privileges." The expenses of such a haul should be distributed to the primary accounts affected that are provided in the Classification of Operating Expenses.

CASE 17.

Query. Should a portion of the salaries of employees who perform transfer duties incidental to their other duties be charged to account No. 31, "Transfer Employees?"

Answer. Only the salaries of such employees as are engaged exclusively in "Transfer" work should be charged to account No. 31.

CASE 18.

Query. Are agents required to hold open a given month's business any specified time in order to include all waybills dated in the given month but received after the end of the month?

Answer. Agents should hold open a given month's business a reasonable length of time in order to include waybills dated in that month but received after the end of the month, it being the intention that all revenues and expenses accruing in any given month should be included in that month's business.

CASE 19.

Query. Should monthly estimates be made of one-twelfth of the annual taxes, based on the amount paid for the previous year?

Answer. One-twelfth of the estimated annual taxes should be charged each month, the charge being based on the preceding year's taxes or on a later modified estimate. Any necessary corrections may be made at the close of the tax year.

CASE 20.

Query. Has any time limit been set within which settlement of through waybills must be made by the companies interested?

Answer. Settlement of a through waybill should be made between companies within sixty days from the end of the month in which the waybill is dated. When more than two companies are interested, a copy of the report rendered by the delivering company should be sent to each of the other companies interested, which report should show the percentage of revenue accruing to each of the carrying companies.

CASE 21.

Query. Is it necessary that all vouchers should bear details on their faces?

Answer. Each voucher should bear on its face sufficient evidence to show for what purpose the amount was paid, in order that it may be determined whether or not the amount is charged to the correct account.

CASE 22.

Query. Should the revenue accruing from wagon hauls within a city be credited to revenue account No. 1?

Answer. Revenue from wagon hauls within a city should be credited to revenue account No. 2, "Miscellaneous Transportation Revenue."

CASE 23.

Query. To what account should amounts paid cities or towns for wagon licenses be charged?

Answer. Amounts paid for wagon licenses should be charged to operating expense account No. 28, "Stable Supplies and Expenses."

CASE 24.

Query. To what account should sundry small amounts absorbed, such as deposits uncalled for, undelivered money packages, etc., be credited? It has been the practice in the past to credit such items to Loss and Damage Account.

Answer. Items of the nature stated above, when absorbed by the company, should be credited to Profit and Loss Account, which account should be debited in case refund is made.

CASE 25.

Query. Is it necessary that an inventory be taken at the end of each fiscal year?

Answer. Inventories should be taken at the end of each fiscal year as provided in the notes under primary accounts Nos. 3, 7, 9, 10, and 11, under general account "Maintenance," in the Classification of Operating Expenses.

CASE 26.

Query. Should amounts paid to other express companies under "Tonnage Agreements" be charged to "Express Privileges—Dr."? To what account should amounts received for similar service performed for other companies be credited?

Answer. Amounts paid to other express companies under "Tonnage Agreements" are chargeable to revenue account No. 1, "Express Revenue," as explained in the text to that account. Amounts received for services rendered under such agreements should be credited to revenue account No. 1.

CASE 27.

Query. This company has a contract for operating the express business over the lines of a certain railway company, but has sublet the privileges to another express company, we paying the railway company the agreed amount annually and receiving from the other express company the agreed amount annually. To what account should our payment to the railway company be charged and to what account should the amount paid us be credited? This company does not operate on the lines of the railway.

Answer. As your company conducts no operations over the railway company's lines, your payment to that company does not come within the class of payments contemplated in the account "Express Privileges—Dr." A clearing account should be opened on your books to which should be charged the amount paid to the railway company and to which should be credited the amount received from the other express company. At the end of the year the surplus or deficit remaining in the account should be credited or debited, as the case may be, to "Miscellaneous Income."

The second express company, on its part, should charge to "Express Privileges—Dr." the amount paid your company.

CASE 28.

Query. A shipment transferred to us by another company is lost or destroyed on our line; to what account should the charges on the shipment be debited?

Answer. The revenue of the company on whose line the shipment was lost should be charged to revenue account No. 1. "Express Revenue." The amount paid to the other company for its proportion of charges should be charged to "Loss and Damage—Freight" or "Loss and Damage—Money," according to the contents of the package.

CASE 29.

Query. We recently had stolen from the safe at one of our offices an amount of money representing the day's receipts at that office. To what account should the loss of this money be charged?

Answer. Charge account No. 38, "Other Expenses," under "Transportation Expenses."

Accounting Bulletin No. 4

DECISIONS UPON QUESTIONS

RAISED UNDER

CLASSIFICATIONS

PRESCRIBED BY

**THE INTERSTATE COMMERCE
COMMISSION**

FOR

STEAM ROADS

IN ACCORDANCE WITH

SECTION 20 OF THE ACT TO REGULATE COMMERCE

Effective on January 1, 1910

(Supersedes Accounting Bulletin No. 1)



WASHINGTON

GOVERNMENT PRINTING OFFICE

1909



THE INTERSTATE COMMERCE COMMISSION.

MARTIN A. KNAPP, *of New York.*

JUDSON C. CLEMENTS, *of Georgia.*

CHARLES A. PROUTY, *of Vermont.*

FRANCIS M. COCKRELL, *of Missouri.*

FRANKLIN K. LANE, *of California.*

EDGAR E. CLARK, *of Iowa.*

JAMES S. HARLAN, *of Illinois.*

EDWARD A. MOSELEY, *Secretary.*



INTRODUCTORY LETTER.

INTERSTATE COMMERCE COMMISSION,
BUREAU OF STATISTICS AND ACCOUNTS,
Washington, D. C., December 1, 1909.

TO CARRIERS CONCERNED:

Under date of June 16, 1908, there was issued Accounting Bulletin No. 1, which contained answers to various accounting questions bearing upon the interpretation of certain classifications previously prescribed by the Interstate Commerce Commission. In Accounting Series Circular No. 12b (amended), issued under date of September 25, 1908, were published further questions and answers, which chiefly referred to expenditures for additions and betterments, the classification of which had then been issued only tentatively. That circular also covered a few cases the answers to which had not been finally approved, and some new cases. In order now to include in a single pamphlet all those cases and additional cases of current effect, the answers to which have been finally approved, this Accounting Bulletin No. 4 is issued. The cases in Accounting Bulletin No. 1 are reprinted in Accounting Bulletin No. 4, with the exception of a few that have been canceled and a few others that have been amended to conform to later classifications.

In Accounting Series Circular No. 12c, dated December 1, 1909, are published other cases (mostly new, with some reprinted from previous circulars), the answers to which are regarded as subject to possible modification. Thus it appears that Accounting Series Circular No. 12c and Accounting Bulletin No. 4 together constitute a file of important cases relating to the classifications that were submitted before October 1, 1909.

HENRY C. ADAMS,
In charge of Statistics and Accounts.



INTERSTATE COMMERCE COMMISSION ACCOUNTING BULLETIN NO. 4.

. QUESTIONS AND DECISIONS.

CASE 1.

Query. How shall debits and credits not provided for in Classifications of Operating Expenses and Revenues, such as Outside Operations and Additions and Betterments, be disposed of prior to receipt of formal order of Commission?

Answer. All accounting matters must be disposed of in conformity with the principles embodied in the orders of the Interstate Commerce Commission. Subject to this limitation, where not covered by such orders, they may be disposed of according to the judgment of the carrier.

CASE 2.

Query. When a carrier assumes proportion of switching charges collectible from another carrier, should such proportion be charged to freight revenue as switching absorbed and credited to freight revenue when collected?

Answer. This is a matter of bookkeeping, in which each carrier is for the present permitted to use its own discretion so long as the integrity of the prescribed account is maintained. (*See Case 214.*)

CASE 3.

Query. Is it essential that books be written up monthly by a road which has been in the habit heretofore of writing up books once in six months?

Answer. Accounts should be written up monthly.

CASE 4 (*amended*).

Query. Is it permissible after July 1, 1907, to carry over balances in reserve funds? Such balances may consist of estimated amounts of overcharges, switching, loss, damage, and personal injury claims.

Answer. Such balances in reserve accounts may be carried over. There is no objection to the creation and maintenance of reserves of this character, provided the charges to the various operating expense and revenue accounts are adjusted yearly. Reserves should be held until liabilities for which they were created are liquidated.

CASE 5.

Query. A judgment chargeable to operating expenses is rendered against a carrier. Is it permissible to spread the amount thereof over several months, and even over more than one fiscal year?

Answer. Judgments and heavy or extraordinary expenses, due to fires, accidents, etc., may be spread over several months of a fiscal year, but permission must be obtained from the Interstate Commerce Commission if it is desired to extend the charges to Operating Expenses into the succeeding fiscal year.

CASE 6 (amended).

Query. To what account should the expense of "studies" by the Engineering Department be charged? By "studies" are meant tentative surveys, sinking test pits, etc., in connection with proposed work, prior to any authorization for the prosecution of the work. In some cases the work is ultimately not undertaken, and the expense can not therefore be charged against the job.

Answer. Such expense should be charged to convenient suspense or clearing accounts until such time as it can be determined where these expenditures belong, and then transferred to Income, Profit and Loss, Construction, Additions and Betterments, or Operating Expenses, as may be appropriate.

CASE 7.

(Canceled.)

CASE 8.

Query. To what account should be charged loss and damage on company material?

Answer. The cost of all company material lost or damaged in transit should be charged to "Loss and Damage—Freight" under Transportation Expenses. The text under that account is amended by the supplement effective on July 1, 1908, by eliminating the words "but not" in parentheses in the third line and now reads as follows:

"LOSS AND DAMAGE—FREIGHT.

"This account includes payments for loss, damage, delays, or destruction of freight, locomotives, and cars when waybilled as freight

(including all company's material), parcels, or express intrusted to the company for transportation, including live stock received for shipment; and all expenses directly incident thereto; freight in transit lost overboard from lighters (less insurance and amount recovered from sale of unclaimed and damaged freight); cost of repacking and boxing damaged merchandise and other property; pay and expenses of employees and others engaged as adjusters and in detecting thieves; and services and expenses of employees or others while engaged as witnesses in lawsuits in connection with loss and damage cases."

CASE 9.

Query. In adjusting material accounts to basis of inventory, what account or accounts should be credited or debited?

Answer. Differences in inventory debit or credit should be considered as having accrued in operating material, and should be debited or credited to the proper operating expense accounts on the basis of material issued and charged to these accounts since the last inventory adjustment, provided that where an overage or shortage on any particular class of material, such as ties, rails, fuel, etc., can be definitely determined an adjustment should be made in the accounts affected thereby.

CASE 10.

Query. How shall taxes on joint facilities be treated?

Answer. Taxes paid upon property used jointly should be charged by the owner to taxes, and the proportion paid by the user should be charged by him to the appropriate rent account under Income Account together with the rent, and not to taxes, a corresponding credit to rents received under Income Account being made by the owner.

CASE 11.

Query. Shall rent of tracks based on percentage of valuation be charged to Income Account under head of rents?

Answer. Yes.

CASE 12.

Query. To what account should be charged a rent of property based on interest valuation?

Answer. To an appropriate rent account under Income Account.

CASE 13.

Query. We are renting a piece of ground belonging to another carrier, and upon this ground we have built tracks for our own exclusive use.

To what accounts should be charged amount paid for the rent of the ground, and to what account should the carrier owning the ground credit the amount received from us?

Answer. Debits and credits should go respectively to the appropriate rent accounts under Income Account.

CASE 14.

Query. The A Railroad Company has a contract whereby about 4 miles of its track are used by another company without any expense of any kind to A. Kindly advise to what revenue account the rent should be credited?

Answer. To an appropriate rent account under Income Account.

CASE 15.

Query. Road A is the lessor of certain track over which it does not operate its own trains. This track is used jointly by road B and road C, which pay a fixed rent, taxes, and maintenance; taxes and maintenance being apportioned between them on the basis of engine and car mileage. Should the taxes paid and collected by road A be credited to taxes or debited to taxes and credited same as rent to Income? To what account should this item be charged by the lessee companies?

Answer. Taxes paid by the lessor should be charged to taxes, and when collected by the lessor should be credited to an appropriate rent account under Income Account. Rent paid with respect to such taxes should be charged by the lessee to an appropriate rent account under Income Account.

CASE 16.

Query. To what account shall be credited rents from property not used in the operation of the railroad? To what account shall be charged cost of repairs, insurance, taxes, and other expenses in connection with such property?

Answer. Rents received from rent of buildings and other property not included in the operation of a road should be credited to an appropriate rent account under Income Account, and insurance, repairs, and other expenses incident to the care of the property should be charged to the same account. Taxes should be charged to Taxes account.

CASE 17 (amended).

Query. To what account should be charged rent of bridges?

Answer. Payments for rent of a bridge, which includes the cost of operation or maintenance, should be divided by agreement of the

parties at interest into two parts; one part, covering the cost of maintenance or operation or both, to be charged to appropriate operating expense accounts, using the joint-facilities accounts if the bridge be jointly used by carriers; the remainder to be charged to the proper rent account under Income. If the payment made does not include any part of the cost of maintenance or operation, the whole should be charged to Income. The principle is that the operating expenses of carriers should include the cost of operating and maintaining facilities or parts of facilities used by them in the business of transportation.

CASE 18.

Query. Does the Classification of Expenditures for Road and Equipment, First Revised Issue, apply only to new lines and not to betterments and improvements on existing lines?

Answer. Expenditures for construction and equipment of new main and branch lines and extensions of existing lines are required to be classified according to the Classification of Expenditures for Road and Equipment. Expenditures for additions and betterments should be classified in accordance with the Classification of Expenditures for Additions and Betterments, and the *aggregate* is required to be redistributed in accordance with the Classification of Expenditures for Road and Equipment.

CASE 19 (*amended*).

Query. To what account should be charged discount on bonds issued for construction of new lines and for additions and improvements?

Answer. Discount on bond issues should be charged to an account which may be called "Discount on Securities Issued." (*See Case 101.*)

CASE 20.

(Canceled.)

CASE 21.

(Refers to additions and betterments. *See Accounting Series Circular No. 12c.*)

CASE 22.

(Refers to additions and betterments. *See Accounting Series Circular No. 12c.*)

CASE 23.

(Refers to additions and betterments. *See Accounting Series Circular No. 12c.*)

CASE 24.

Query. A carrier operates from A to B by rail and from B to C by water, making an arbitrary division of the revenues received between the rail and water lines. Does the proportion allowed water line from B to C constitute what is meant by "allowance" in Introductory Letter in Classification for Outside Operations?

Answer. Yes.

CASE 25.

Query. This company operates its parlor cars in the same trains with other passenger cars, and the expenses for such cars for general supervision, heating, lighting, cleaning, taxes, etc., can not be accurately ascertained and must be arbitrarily apportioned if they are to be treated in Outside Operations. Therefore as parlor cars are operated by us in direct connection with the transportation business, are we permitted to charge the expenses on account of these cars to appropriate accounts under Operating Expenses and credit the receipts from such car fares to account No. 4, "Parlor and Chair Car Revenue," under Operating Revenues?

Answer. When the receipts from or expenses of operating parlor cars are not sufficient to impair the statistics of rail operation the revenue may be credited to revenue account No. 4, "Parlor and Chair Car Revenue," and the expenses charged to appropriate operating expense accounts.

CASE 26.

Query. This company operates its stock yards in connection with its transportation business. It has no stock yards that do not furnish facilities for the company when occasion arises, as well as to shippers, from whom collections are made to cover the service. It will be practically impossible for us to make an accurate separation of the expenses for services rendered the company from those rendered shippers. We would ask, therefore, if we are permitted to charge all expenses on account of such stock yards to appropriate accounts under Operating Expenses, and to credit all receipts to account No. 19, "Miscellaneous," under Operating Revenues?

Answer. Yes, if not inconsistent with the Introductory Letter and text of the Classification of Revenues and Expenses for Outside Operations.

CASE 27.

Query. The question arises as to the proper distribution of boat demurrage. A charge is made against the traffic or the owner of the

boat when it is delayed beyond a certain date, and payments are made to lines owning wharf facilities when one of our boats is tied up beyond a certain period.

Answer. It should be treated through the appropriate Outside Operation revenue and expense accounts if incidental to conducting an outside operation.

CASE 28.

(Refers to additions and betterments. *See Accounting Series Circular No. 12c.*)

CASE 29.

Query. Is it permissible to spread insurance premiums, to be paid in any one year, over twelve months, provided adjustment is made at close of year to actual payments on this account?

Answer. Insurance premiums should be charged upon the basis of accruals. Where the premium covers twelve months' insurance, one-twelfth should be charged each month.

CASE 30.

Query. In the Classification of Operating Expenses, Third Revised Issue, under the heading "Buildings, Fixtures, and Grounds," on page 34, Note B, reads as follows:

"Insurance recovered on buildings, fixtures, and grounds should be credited to this account." Will you please advise me if it is intended that we shall credit Operating Expenses—"Buildings, Fixtures, and Grounds"—with the total amount recovered from a building in the month in which payment is made by the insurance company?

I will explain that heretofore when a building was destroyed and the insurance recovered, we have credited the insurance to a temporary account, such as "Insurance Collected on Buildings Burned," sub-account "Depot at ———," for instance. When the depot was reconstructed, we charged the cost of the new depot to the last-named ledger account. In this way operating expenses were not disturbed in any way by the burning of the depot or the recovery of the insurance.

If we recover, say, \$25,000 for a depot destroyed, we would, under instructions in Note B, immediately—that is, in the month in which the money was received from the insurance company—credit operating expenses with the \$25,000. This will affect comparison with the previous month and with the same month of the previous year.

The above also applies to "Bridges, Trestles, and Culverts," Note C, page 29.

Answer. The above-stated manner of handling the accounts with respect to insurance, through a temporary account, is correct.

CASE 31.

Query. Are not Notes C, page 29, and B, page 34, of the official Classification of Operating Expenses, Third Revised Issue, in conflict with the last clause of Note A on page 40, under "Insurance," which provides that to "Insurance" shall "be credited all amounts recovered from insurance companies for damage to property reinsured by them?"

Answer. There is no conflict. The last-mentioned provision is restricted to the case of reinsurance; i. e., where a carrier acts as its own insurer and by suitable charges to operating expenses raises an insurance fund or reserve. In such case, if it is later deemed advisable to divide the risk with respect to any particular portion of the property, such property is reinsured with another insurer, the premium paid for such reinsurance is charged to the insurance fund or reserve, and the amount recovered in case of casualty is credited to such fund or reserve.

CASE 32 (amended).

Query. With reference to the note in the Third Revised Classification of Operating Expenses under each of the accounts, "Ties," "Rails," "Bridges," etc., is it intended that the several accounts shall include in any one fiscal year only the actual expenditures (of the character contemplated) made during the particular fiscal year, or is it contemplated that, if a company desires, it may authorize or approximate any sum that it may see fit, charging the amount so authorized or approximated to the accounts concerned without regard to the actual expenditures during any month or fiscal year?

Answer. Reserve accounts of this character may be created by monthly charges to operating expense accounts of sums estimated to be necessary for maintenance, but such charges should be adjusted annually so that the total charge for the year shall represent the actual expenditures for maintenance in that year. (See Case 106.)

CASE 33.

Query. To what account should be credited old material released when equipment is condemned or destroyed?

Answer. Should be credited to the respective Replacement accounts.

CASE 34.

Query. To what account should be charged pay and expenses allowed employees while attending inquests held by coroners?

Answer. To the appropriate "Injuries to Persons" account or accounts.

CASE 35.

Query. To what account should be charged rent of office for use of Claims Department in charge of injuries to persons and property other than freight and baggage?

Answer. Rents in such case should be considered as office expenses, except when provided for otherwise.

CASE 36.

Query. In the case of a road owning one locomotive, the cost of which was charged to Operating Expenses, should depreciation be computed and charged to Operating Expenses?

Answer. Yes; otherwise current operating expenses would not be truly stated.

CASE 37.

Query. To what account should be charged the salary of fire chiefs?

Answer. To "Superintendence," under Maintenance of Way and Structures. Attention is called to Note B under that account.

CASE 38 (amended).

Query. To what account should be charged damages for overflows caused or alleged to be caused by inadequate waterways either in original construction or subsequent closing of waterways?

Answer. To appropriate Maintenance of Way and Structures accounts when the property damaged is the carrier's own; to "Damage to Property" when it is the property of others. If, however, the damage is directly connected with additions and betterments work the cost of the damage should be included in the cost of the work. See General Instructions in the Classification of Expenditures for Additions and Betterments.

CASE 39.

Query. Should the cost of installing and operating interlocking or other signal apparatus at gravel pits be charged against the convenience account provided under the "Ballast" account?

Answer. Charge to "Ballast" clearing account.

CASE 40.

Query. Is it required that the regular charge to depreciation and credit to renewals shall be made on the roadbed?

Answer. No; not under present classification. Depreciation accounts for way and structures may, however, be kept as subaccounts

if desired. In such case the names and descriptions of the subaccounts must be filed with the Interstate Commerce Commission. (*See Case 106.*)

CASE 41.

Query. To what account should be charged cost of cleaning car-cleaning yards (an expense resulting from the cleaning of cars)—to "Roadway and Track" or to "Train Supplies and Expenses?"

Answer. "Roadway and Track," under Maintenance of Way and Structures.

CASE 42 (*amended*).

Query. To what account should be charged the expense of bonding rails in connection with signals and interlocking systems?

Answer. If the work is done during construction period, the cost should be charged to account No. 16, "Interlocking and other Signal Apparatus" in the Classification of Expenditures for Road and Equipment. When chargeable to operating expenses, it should be charged to account "Signals and Interlocking Plants," under Maintenance of Way and Structures. If a part of additions and betterments work, to appropriate accounts in the Classification of Expenditures for Additions and Betterments.

CASE 43.

Query. In reference to revenue and expense of commercial telegraph lines, please advise if we should include under that heading revenue and expenses from commercial telephone lines?

Answer. Revenues and expenses of commercial telephone lines should be treated the same as the revenues and expenses of commercial telegraph lines.

See Supplement, effective on July 1, 1908, to the Classification of Operating Expenses for Steam Roads, Third Revised Issue. See also Supplement, effective on July 1, 1908, to the Classification of Operating Revenues for Steam Roads, First Issue; and also Classification of Revenues and Expenses for Outside Operations for Steam Roads, First Issue, effective on July 1, 1908.

CASE 44.

Query. Third Revised Issue of the Classification of Operating Expenses, page 33, "Other Expenses" (subdivision of "Buildings, Fixtures, and Grounds"), reads:

"Cost of material used (less salvage) in repairing and renewing transfer tables," etc.

Should not the words "and labor expended" be inserted immediately preceding the word "in?"

Answer. The labor should follow the material, therefore the rule should be construed as suggested in the question.

CASE 45.

(Canceled.)

CASE 46.

Query. Should not the word "operation" in the phrase "operation of joint facilities" in the notes on pages 40 and 58 of the accounts covering maintenance of joint tracks, equipment, etc., read "maintenance," and shall we so construe it?

Answer. The word "operation" is used in its broad sense, and should be construed to embrace maintenance or any other element of operating expense covered by such bills for joint operation.

CASE 47.

Query. It is observed that no provision is made in text for account "Freight-Train Cars—Repairs" for repairs to work-cars used in commercial service. This company owns a large number of cars which it classifies as "ballast" cars, and which we constructed with the purpose of using in either work or commercial service. A large part of the time these cars are used in commercial service. Should not this class of equipment be treated as traffic cars?

Answer. If for a majority of the time the cars are used in commercial service they should be classified as commercial cars, regardless of the nature of the cars themselves.

CASE 48.

Query. Should charges to operating expenses be made for depreciation on equipment under a car trust which has not been fully paid for and to which the title has not been acquired?

Answer. Depreciation charges should be set up on such equipment as soon as it enters the service of the carrier.

CASE 49.

Query. As cars and locomotives will be broken up or set aside on different days of the month, and as new purchases will be made on various days within the month, it is going to be practically impossible to keep any accurate account of depreciation according to days or

if desired. In such case the names and descriptions of the subaccounts must be filed with the Interstate Commerce Commission. (*See Case 106.*)

CASE 41.

Query. To what account should be charged cost of cleaning car-cleaning yards (an expense resulting from the cleaning of cars)—to "Roadway and Track" or to "Train Supplies and Expenses?"

Answer. "Roadway and Track," under Maintenance of Way and Structures.

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Answer. If the work is done during construction period, the cost should be charged to account No. 16, "Interlocking and other Signal Apparatus" in the Classification of Expenditures for Road and Equipment. When chargeable to operating expenses, it should be charged to account "Signals and Interlocking Plants," under Maintenance of Way and Structures. If a part of additions and betterments work, to appropriate accounts in the Classification of Expenditures for Additions and Betterments.

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Answer. The labor should follow the material, therefore the rule should be construed as suggested in the question.

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(Canceled.)

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Query. Should not the word "operation" in the phrase "operation of joint facilities" in the notes on pages 40 and 58 of the accounts covering maintenance of joint tracks, equipment, etc., read "maintenance," and shall we so construe it?

Answer. The word "operation" is used in its broad sense, and should be construed to embrace maintenance or any other element of operating expense covered by such bills for joint operation.

CASE 47.

Query. It is observed that no provision is made in text for account "Freight-Train Cars—Repairs" for repairs to work-cars used in commercial service. This company owns a large number of cars which it classifies as "ballast" cars, and which we constructed with the purpose of using in either work or commercial service. A large part of the time these cars are used in commercial service. Should not this class of equipment be treated as traffic cars?

Answer. If for a majority of the time the cars are used in commercial service they should be classified as commercial cars, regardless of the nature of the cars themselves.

CASE 48.

Query. Should charges to operating expenses be made for depreciation on equipment under a car trust which has not been fully paid for and to which the title has not been acquired?

Answer. Depreciation charges should be set up on such equipment as soon as it enters the service of the carrier.

CASE 49.

Query. As cars and locomotives will be broken up or set aside on different days of the month, and as new purchases will be made on various days within the month, it is going to be practically impossible to keep any accurate account of depreciation according to days or

fractions of a month. I would therefore ask what rule should be followed in making the monthly entries for "Depreciation" in case of equipment retired or purchased on various days within that particular month?

Answer. A full month's depreciation charge should be set up on all equipment in service on the first day of the month. Equipment coming into service after the first day of the month may be ignored in the depreciation charges for that month.

CASE 50.

(Canceled.)

CASE 51.

(Canceled.)

CASE 52.

Query. Is it correct for a switching road, whose cars seldom leave its own line, to charge to account "Hire of Equipment" the amount paid to other companies for the use of their equipment?

Answer. Yes.

CASE 53.

Query. To what account should we credit a bill made for engines and cars loaned at a daily rate to a contractor on construction work?

Answer. It should be credited to account "Hire of Equipment."

CASE 54.

Query. What is meant by the item near the top of page 43, "Special service, such as bringing locomotives to shops or watching them while on the way to shops for repairs" included in account "Steam Locomotives—Repairs?" Does this "special service" cover only the service of extra employees engaged in this connection, or does it include the pay of the engineer and fireman as well as additional employees engaged in the said "special service?"

Answer. By "special service" is meant the pay of engineers, firemen, and other employees bringing locomotives in need of repairs to shops or watching them pending their removal to or from shops. The pay of engineers and firemen on locomotives disabled in road service when able to complete the run to the terminal should be charged to "Road Enginenen." Consideration should be given in this connection to the account "Clearing Wrecks."

CASE 55.

Query. Classification of Operating Expenses, Third Revised Issue, page 47, under accounts "Passenger-Train Cars—Renewals" and

"Passenger-Train Cars—Depreciation," excludes parlor and sleeping cars, the operations of which are treated as Outside Operations. To what account should be charged renewals and depreciation of parlor and sleeping cars, the operation of which is treated in Outside Operations?

Answer. The two accounts "Passenger-Train Cars—Renewals" and "Passenger-Train Cars—Depreciation" should be interpreted to correspond to the account "Passenger-Train Cars—Repairs," which excludes the general or shop repairs of parlor and sleeping cars whose operations are treated as Outside Operations.

See Supplement, effective on July 1, 1908, to the Classification of Operating Expenses for Steam Roads, Third Revised Issue.

CASE 56.

Query. At various junctions on our lines, a system of joint car inspection is in force, our line paying the total expenses and rendering bills against other lines interested. Should this expense be charged to "Freight-Train Cars—Repairs" by line carrying men on its rolls and same account credited for bills rendered?

Answer. Yes.

CASE 57.

Query. Do the two accounts following "Electric Equipment of Cars—Repairs," on page 49, Classification of Operating Expenses, refer to electrically propelled cars?

Answer. They do.

CASE 58.

Query. (a) Does the account "Power Plant Equipment" apply only to power plants for generating power for propulsion of locomotives, trains, and cars, or does it include the electric equipment in an electric power plant used for other purposes? (b) If intended to cover only power plants for propulsion of locomotives, trains, and cars, to what account should be charged electric machinery, with appliances, in a separate power plant used for operating machinery in shops, when used for shop purposes only?

Answer. (a) Applies only to power plants for generating power for propulsion of locomotives, trains, and cars.

(b) When chargeable to operating expenses the cost should be charged to "Shop Machinery and Tools."

CASE 59.

Query. (a) Referring to accounts, "Power Plant Equipment" and "Operating Power Plants," in the Classification of Operating Expenses, does "Power-Plant Equipment" under Maintenance of Equip-

ment cover the maintenance of power plants at shops generating electricity for running equipment, or is the account intended to cover the cost of maintaining power plant used to furnish electricity to electric railways only? (b) If the latter, should the cost of operating power plant in furnishing electricity for operating machinery be charged to account "Shop Machinery and Tools?"

Answer. (a) It is restricted to power plant furnishing current for propulsion of locomotives, trains, and cars.

(b) The cost of operating power plant furnishing current for operating shop machinery should be charged to the clearing account "Shop Expenses."

CASE 60.

Query. Should the cost of power at shops be charged to clearing account "Shop Expenses?"

Answer. Yes; the cost of power for all shop purposes should be charged to this account.

CASE 61.

Query. The text for clearing account "Store Expenses" provides that the account should be closed out at the end of the year. Should not a balance representing cost of handling material in stock at end of year be carried over to the next year?

Answer. No.

CASE 62.

Query. To what account should be charged the salaries of chief special agents and their assistants who have police powers and have charge of yard watchmen, of employees investigating robberies and other depredations, and the preparation of evidence to be used in court cases where arrests have been made by the company?

Answer. To "Superintendence," under Transportation Expenses. Attention is called to note under this account.

CASE 63.

Query. To what account should be charged the pay of telegraph operators located at towers, whose duties are to receive orders from dispatchers, in connection with train movement, and deliver them to engineers and conductors?

Answer. To "Dispatching Trains."

CASE 64.

Query. At certain stations no regular agent is employed, but a local storekeeper or the postmaster acts in that capacity, being paid a com-

mission based on tickets sold and on local freight charges on shipments handled at such stations. To what accounts are such commissions chargeable?

Answer. To "Station Employees."

CASE 65.

Query. To what account should be charged the payments to warehouse companies or contractors for loading or unloading freight under contract or otherwise?

Answer. To "Station Employees," if not in connection with Outside Operations.

CASE 66.

Query. We note in Classification of Operating Expenses, effective July 1, 1907, page 64, "Station Employees," that "Labor at Stations" includes employees at coal-dock terminals. Page 65, "Coal and Ore Docks," includes pay of employees at coal and ore docks. Is there not an apparent conflict and should there not be some explanation?

Answer. This matter is covered by note at top of page 65 of the official Classification of Operating Expenses, Third Revised Issue.

CASE 67.

Query. In reference to stock yards and the Classification of Operating Expenses: "Station Employees" includes "loading, unloading, feeding, and watering stock, labor at stock yards (other than repairs):" the account "Station Supplies and Expenses" includes "feed and water for stock when carrier is responsible;" the account "Stock Yards and Grain Elevators" includes "pay of employees and cost of supplies and all other expenses incurred in operating stock yards or grain elevators which are not operated as Outside Operations. Kindly advise us what class of expenses in connection with stock yards we should charge to "Station Employees" and "Station Supplies and Expenses" and what to "Stock Yards and Grain Elevators."

Answer. The words "stock yards" under "Station Employees" refer to stock pens. "Stock Yards and Grain Elevators" under Transportation Expenses is eliminated from official Classification of Operating Expenses, as the expenses enumerated thereunder when not chargeable to "Outside Operations" are provided for under "Station Employees" and "Station Supplies and Expenses."

See Supplement, effective on July 1, 1908, to Classification of Operating Expenses for Steam Roads, Third Revised Issue.

CASE 68.

Query. To what account should be charged the cost of supplies used in switch lamps at points where no regular switching service is maintained?

Answer. To account "Station Supplies and Expenses."

CASE 69.

Query. To what account should be charged expenses of engines and crews engaged in assembling loads from mines at points of concentration and distributing empties to mines?

Answer. If freight is billed from the point of concentration, the expense of handling the cars between the mines and this concentrating point should be charged to the appropriate yard service accounts. If, however, the freight is billed from the mines, then the entire service should be classed as road service.

CASE 70.

Query. A train leaves A for B, a distance of 9 miles, taking passenger coaches with passengers from A to B; then goes from B to four other stations farther up the line, does the necessary switching, and returns to B in the evening to take the passenger train back to A. The maximum time consumed in the passenger run between A and B is two hours and the switching service is about eight hours, but at practically only one of the points is the switching service over an hour a day in duration. How should the service of this locomotive be classified and its mileage divided?

Answer. Expenses of a road locomotive doing switching only incidentally should be classified as road service, and mileage divided between road and switching service, by allowing road service full mileage between terminals and computing mileage for switching service in accordance with text and note under account "Switching Locomotive-Miles" in Classification of Locomotive-Miles, etc.

CASE 71.

Query. A train leaves C in the morning, makes a trip to D, 30 miles distant, and switches at that point about eight hours, then brings the train back to C. How should the service of the train crew be divided?

Answer. Expenses should be divided on basis of service performed.

CASE 72.

Query. We have, as does practically every other railroad company, way-freight and pick-up trains, on which a crew will be allowed prac-

tically twice as much pay as the ordinary road crew and the service will be about twice as expensive, owing to the switching performed at various points on the line. Is it proper to charge the extra expenses to road service?

Answer. Yes.

CASE 73.

Query. To what accounts should be charged the wages of motormen operating a gasoline motor car intended to be used for passenger service between two stations where it is not practicable to have daily train service; also to what account should be charged supplies furnished this car?

Answer. Wages of employees engaged in running revenue-service locomotives or motor cars other than electric should be charged to "Road Enginemmen."

Cost of fuel and other supplies furnished to the motor cars in revenue service should be charged the same as cost of fuel and other supplies for road locomotives; the repairs to the locomotive feature of such cars should be charged to "Steam Locomotives—Repairs," and the repairs to the car feature should be charged to "Passenger-Train Cars—Repairs."

CASE 74 (*amended*).

Query. A railway company is furnished by a connecting line with a tank of water and has its locomotive turned. The connecting line makes a charge for the water of 50 cents, turning of locomotive 50 cents, and temporary use of track \$1. Should this expense be charged to "Train Supplies and Expenses?" If not, how should it be distributed?

Answer. If not supplied as part of a joint facility, water should be charged to "Water for Road Locomotives," turning of locomotive to "Enginehouse Expenses—Road," and temporary use of track to "Train Supplies and Expenses." Amount received for water should be credited to "Water for Road Locomotives," amount received for turning locomotive credited to "Enginehouse Expenses—Road," and amount received for temporary use of track to revenue account No. 19, "Miscellaneous."

CASE 75.

Query. To what account should be charged fuel for sand driers?

Answer. To account "Other Supplies for Road Locomotives," in accordance with the text of that account.

CASE 76.

Query. To what account should be charged the cost of labor and material expended in lubricating switches and signals?

Answer. To "Interlockers and Block and Other Signals—Operation," except at terminals, when the labor should be charged to "Yard Switch and Signal Tenders," and the material to "Yard Supplies and Expenses."

See Supplement, effective on July 1, 1908, to the Classification of Operating Expenses for Steam Roads, Third Revised Issue.

CASE 77.

Query. To what account should be charged penalties imposed for failure to furnish cars under reciprocal demurrage laws?

Answer. To "Other Expenses" under Transportation Expenses.

CASE 78.

Query. To what account should be charged payments for damages for ejectment of passengers from train?

Answer. To "Injuries to Persons" under Transportation Expenses.

CASE 79 (amended).

Query. To what account should be charged payment for damages because of failure of passenger train to stop at station to pick up passenger?

Answer. If the award of damages is based upon a property loss, to "Other Expenses," under Transportation Expenses; if because of personal injuries sustained, to "Injuries to Persons."

CASE 80 (amended).

Query. To what account should be charged amounts paid for switching passenger equipment?

Answer. To appropriate revenue accounts when in revenue service; to "Other Expenses," under Transportation Expenses, when in non-revenue service.

CASE 81 (amended).

Query. To what account should be charged switching charges paid other carriers for moving empty freight equipment, as follows:

(a) When delivered to a connecting carrier to be placed for loading, for which a charge is exacted in addition to that made for returning the car loaded.

(b) When delivered to a connecting carrier to be placed for unloading, and when the empty is returned, a charge is made therefor in addition to that made for the movement of the load.

(c) When equipment, under load, has been switched to a designated point by a connecting carrier for a consideration and the car has been unloaded, it is then ordered switched to another industry in the yards of the switching carrier to be loaded for a point on the line of the carrier which made delivery to the switching carrier in the first instance, a charge being made for the movement of the empty, in addition to that made for delivering the car when loaded to the carrier for which it was received in the first instance.

(d) When a carrier, instead of maintaining facilities for performing the switching service, for which it makes no specific charge, hires some one else to do it in lieu of doing the work itself.

Answer. To revenue account No. 1, "Freight Revenue."

CASE 82.

Query. Are salaries and expenses of president and his clerks and assistants to be charged to General Expenses, or distributed to Maintenance of Way and Structures, Maintenance of Equipment, Transportation Expenses, Traffic Expenses, and General Expenses?

Answer. If the president is also directly in charge of the departments usually supervised by officials named in the accounts "Superintendence" under Maintenance of Way and Structures, Maintenance of Equipment, Traffic Expenses, and Transportation Expenses, his salary and expenses and those of his clerks and assistants should be apportioned as set forth in Note B under the account "Salaries and Expenses of General Officers" under General Expenses. If the president has, as is usual, only general supervision over the various departments, his salary and expenses should be charged to the account "Salaries and Expenses of General Officers."

CASE 83.

Query. How should the revenue derived from the transportation of milk be classified when handled—

(a) In solid trains which have first-class rights same as passenger trains?

(b) In trains which have accommodations for passengers?

Answer. Carriers are permitted to keep the revenue from transportation of milk in account No. 1, "Freight Revenue," and account No. 7, "Milk Revenue (on passenger trains)," provided they treat train statistics in the same class as they do these earnings.

CASE 84.

Query. Proceeds from sale of local mileage tickets are credited to Operating Revenues when sales are made. How shall such proceeds be apportioned among States, especially to States in which taxes are assessed on gross earnings?

Answer. Local mileage may be credited to account No. 2, "Passenger Revenue," as used. If this is done the apportionment can be readily made.

CASE 85 (amended).

Query. When a train is chartered for a guaranteed lump sum and tickets are sold to protect the guarantor against the use of the train by unauthorized passengers, should the entire amount of the guaranty, which includes the proceeds of the sale of individual tickets, be credited to account No. 10, "Special Service Train Revenue?"

Answer. Yes, unless each passenger is required to have a ticket sold at tariff rates, in which case the amount received from sale of tickets should be credited to "Passenger Revenue" and the deficit, if any, paid by the guarantor, to "Other Passenger-Train Revenue." (See Cases 221 and 222.)

CASE 86.

Query. To what account should coupons found in the covers of interchangeable mileage books returned for redemption be credited?

Answer. Unpresented coupons covering transportation for which the company has not performed service should be credited to account No. 8, "Other Passenger-Train Revenue." (See Case 261.)

CASE 87.

Query. We have an arrangement with a company operating a mine located on our line whereby they guarantee that the earnings of a certain train that we run each morning shall be equivalent to 100 tickets at 5 cents each, or \$5. If we collect over 100 tickets, that settles the matter. If we do not, we call upon them for the difference between the amount we collect and \$5. To what account should we credit this deficit which the mine is called upon to pay from time to time?

Answer. To account No. 8, "Other Passenger-Train Revenue."

CASE 88.

Query. Referring to account No. 3, "Excess Baggage Revenue," in the Classification of Operating Revenues prescribed by the Interstate

Commerce Commission, I write to inquire if it is contemplated that the revenues to be entered under this heading should be restricted to those derived from carrying baggage, packages, articles, dogs, etc., belonging to passengers, or whether it should include also revenues derived from carrying packages and other things not incident to the carrying of passengers, such as amounts paid by newspaper publishers for carrying and distributing daily papers?

Answer. Revenue derived from carrying, in baggage cars, packages and other things not incident to carrying passengers should be credited to account No. 8, "Other Passenger-Train Revenues."

CASE 89.

Query. To what account should be credited amounts of unclaimed penalty collections on train and unclaimed redeemable portions of mileage tickets and credentials?

Answer. To account No. 8, "Other Passenger-Train Revenue."
(See Case 261.)

CASE 90.

Query. A mining company guarantees a certain amount of revenue on passenger trains. To what account should deficit paid by guarantors be credited?

Answer. The deficit collected from the guarantors should be credited to account No. 8, "Other Passenger-Train Revenue."

CASE 91 (amended).

Query. Will switching include the amount received for a short movement between, say, two sidings within the territory under the control of one agent?

Answer. Yes, provided the movement is as described in the text of account "Switching Revenue."

CASE 92.

Query. To what account should charges for reconsigning and milling in transit be credited?

Answer. When a charge for milling in transit or reconsigning is made in connection with or as a part of the through rate, such charge should be credited to account No. 1, "Freight Revenue;" but when the charge made is additional to the through rate and can not be considered as any portion thereof, it should be credited to account No. 11, "Miscellaneous Transportation Revenue."

CASE 93.

Query. An industrial company guarantees that its monthly payments for freight shall not be less than a certain minimum. In the event of a deficit, which is collected by the railway company, to what account should collection be credited?

Answer. To account No. 11, "Miscellaneous Transportation Revenue."

CASE 94.

Query. To what account should charges for "Stop Off" be credited?

Answer. Where a charge for stop-off privilege is made in connection with or as a part of the through rate, such charge should be credited to account No. 1, "Freight Revenue;" but when the charge is additional to the through rate and can not be considered as any portion thereof, it should be credited to account No. 11, "Miscellaneous Transportation Revenue."

CASE 95.

Query. To what account should be credited receipts for service rendered by a commercial telephone line?

Answer. To revenue account No. 17, "Telegraph and Telephone Service." (See Case 43.)

CASE 96.

Query. With reference to the new Classification of Operating Expenses, I shall be obliged if you will give me your interpretation of a contract which we have recently made with a lumber and manufacturing company under which we gave that company the right to operate their logging trains over a portion of a gravel-pit track. In view of the fact that the lumber company is not a common carrier and will not report to the Commission, is it desired that the rent which covers in a lump sum the rent and maintenance should be treated under the Income Account as a rent or should a portion of the amount be credited to Maintenance of Way and Structures account "Maintaining Joint Tracks, Yards, and Other Facilities—Cr.?"

Answer. Such revenue should be credited to revenue account No. 18, "Rents of Buildings and Other Property."

CASE 97.

Query. To what account should be credited rent of space for lunch counter in passenger station?

Answer. To account No. 18, "Rents of Buildings and Other Property."

CASE 98.

Query. What appropriate accounts are meant by last two words in note under account No. 19 of Classification of Operating Revenues?

Answer. The words "appropriate accounts" refer to the proper joint-facilities accounts in Operating Expenses and rent accounts under Income Account.

CASE 99.

Query. To what account should be credited the amount of commissions received by the carrier for collecting premiums on insurance policies, etc., from employees?

Answer. To account No. 19, "Miscellaneous."

CASE 100.

Query. In Classification of Expenditures for Road and Equipment is it contemplated that account No. 1, "Engineering," shall include the salaries of engineers specially employed to work on plans for steel bridges, docks, and wharves?

Answer. Yes.

CASE 101.

Query. Is it permissible to charge discount on bonds sold for construction purposes to account No. 47, "Interest and Commissions" in the Classification of Expenditures for Road and Equipment?

Answer. No. (See Case 19.)

CASE 102.

Query. Account No. 7 of the Classification of Expenditures for Road and Equipment reads in part, "and other ties and railway crossing timbers." Are not railway crossing timbers also provided for in account No. 15, "Crossings and Signs?" To which account should such timbers be charged?

Answer. Account No. 15, "Crossings and Signs," does not refer to railway crossings.

CASE 103.

Query. We note that the Classification of Locomotive-Miles, Car-Miles, and Train-Miles, as prescribed by the Interstate Commerce Commission, makes no provision for the distribution of mixed-train mileage as between passenger and freight.

In the preliminary publication, Association Bulletin No. 26, page 84, there was a paragraph which covered this feature. Was the omis-

sion in the official publication intentional? And, if so, upon what basis is the distribution to be made?

Answer. So far as the Classification is concerned, no division is necessary. For the purposes of the annual report to the Interstate Commerce Commission the matter is covered by a rule in the official report form.

CASE 104.

Query. Is a train delivering ballast from point of origin to point where work of spreading ballast begins to be considered as a work train throughout, or as company's material train while under running orders from point of origin to point of delivery, and as a work train during the actual delivery of ballast?

Answer. Such a train is a work train from the point of origin until it returns, irrespective of the fact that for a portion of the distance it operates under running orders. See paragraph 3, page 17, of the Classification of Locomotive-Miles, etc.

CASE 105.

Query. Section 5, under the heading "Rules for Computing Train-Miles," on page 17 of the Classification of Locomotive-Miles, Car-Miles, and Train-Miles, reads as follows:

"Mileage of trains detoured over foreign roads when hauled by the locomotives and handled by the crews of the home company should be computed on a basis of miles actually run and classified by the detouring line in its train mileage," etc.

Do the words "detouring line" in the above clause mean the home line or the foreign line?

Answer. "The detouring line" means the home company whose train is detoured.

CASE 106.

Query. Are carriers at liberty to set up depreciation accounts for the primary accounts under the general account Maintenance of Way and Structures?

Answer. No depreciation accounts have been prescribed by the Interstate Commerce Commission except those affecting the seven classes of equipment specifically named. It is recognized, however, that other classes of railway property are subject to depreciation, and carriers are permitted to set up subprimary accounts covering depreciation, provided that in so doing their accounts conform to the

provisions of the order, dated June 3, 1907, prescribing the Classification of Operating Expenses, Third Revised Issue. In such cases the names and descriptions of such subaccounts must be filed with the Interstate Commerce Commission. (*See Case 32.*)

CASE 107.

Query. Is it the intention of the Commission that carriers may charge a certain percentage of depreciation on the original cost of equipment, regardless of where the equipment when new was charged, and regardless of the amount written off for depreciation, or may carriers accept the present book value of equipment as the basis of the depreciation charges?

Answer. Depreciation should be charged on all the equipment in service on July 1, 1907, regardless of where charged when new, according to the rules laid down in paragraph 3, page 10, of the Classification of Operating Expenses, Third Revised Issue.

CASE 108.

(Canceled.)

CASE 109.

Query. What rate per cent should be charged as depreciation on the several classes of equipment for which depreciation charges are required?

Answer. The Classification of Operating Expenses promulgated by the Commission does not state the specific per cent to be charged for depreciation on any class of equipment, for the reason that the conditions under which equipment is used vary so greatly that no uniform rate of depreciation for all roads could be reasonably determined. The proper rate will, of course, vary inversely with the life of the property to which it is to be applied, and in determining the rate consideration must be given to whatever affects the life of the property. Each reporting officer should determine the rate to be used according to such experience tables as he may be able to construct from equipment records.

CASE 110.

Query. Should a carrier charge the total cost of new freight-train cars to Additions and Betterments, disregarding any balance there may be to the credit of "Freight-train Cars—Replacement?"

Answer. Yes. Under the Classification of Expenditures for Additions and Betterments effective on July 1, 1909, no charges are to be made to Replacement accounts for equipment bought.

CASE 111.

Query. With all railroads it is quite necessary to have what perhaps might be termed an "Open Bill" account to take care of bills due from individuals and others for work performed either in the transportation or some other department rather than to credit such bills when made to different operating accounts. Is it permissible to continue such an account?

Answer. Such an account may be continued, provided it does not infringe upon any of the prescribed accounts.

CASE 112.

Query. The official Classification calls for a Replacement Credit account which includes depreciation and renewal of equipment. The X Railway Company is required under agreement with the Z Company to provide other equipment for that destroyed or sold or else pay the equivalent in cash to the Z Company to purchase equipment to replace that destroyed or sold. Is it permissible to keep a "Dismantled Equipment" account wherein to show the exact amount due the Z Company because of dismantled and sold equipment?

Answer. Such an account may be kept, provided it does not in any way infringe upon the accounts prescribed.

CASE 113.

Query. Donations to local fire departments along the line of our road for their services in assisting at fires have been charged to "Other Expenses," under General Expenses, on account of the services rendered covering buildings, equipment, and other property. Is this proper?

Answer. Yes.

CASE 114.

Query. Our company acquires the right to enter upon certain land and remove ballast. Should an account called "Operations of Gravel Pit at ——" be opened to cover this?

Answer. The amount paid for the rights should be charged to a clearing account, which may be designated as indicated.

CASE 115.

Query. At what time in the construction of a road is it required that the accounts be changed from Classification of Expenditures for Road and Equipment to Classification of Operating Expenses and Classification of Operating Revenues?

Answer. Accounting according to the Classifications of Operating Revenues and Operating Expenses should begin with respect to any particular portion of a road as soon as that portion has reached such a stage of completion that the commercial operations are the main portion of the business carried on over such portion; that is to say, so long as the commercial operations are only incidental, it is not required that they be treated through the accounts provided in the Classification of Operating Revenues and the Classification of Operating Expenses. It must be considered, however, that as soon as trains begin running regularly over any portion of the tracks, it is then appropriate to keep account of the disbursements and receipts for such portion of the road through the operating expense and operating revenue accounts. However, it should be understood that any expenditures for unfinished construction work should be charged to "Expenditures for Road and Equipment."

CASE 116.

Query. The A B Railway Company owns and maintains an interlocking plant at ———. The Y Z Railway Company uses this interlocking plant jointly with the A B Railway Company and pays interest rent on same and a proportion of maintenance and operation. Is it correct for the Y Z Railway to dispose of the charges as follows: Interest to "Rents Paid" under Income account; maintenance to "Maintaining Joint Tracks, Yards, and Other Facilities—Dr.;" operation to "Operating Joint Yards and Terminals—Dr.?"

Answer. Interest to "Rents Paid" under Income Account; maintenance to "Maintaining Joint Tracks, Yards, and Other Facilities—Dr.;" operation, according to location, to "Operating Joint Yards and Terminals—Dr.," or to "Operating Joint Tracks and Facilities—Dr."

CASE 117.

Query. A number of connecting lines charge this company a proportion of cost of operating joint interlockers, and credit "Maintenance of Joint Tracks," etc., and we make similar bills against other lines. Should the expense be charged and credited as above?

Answer. If these joint interlockers are located at terminals, the carrier's proportion of cost of operation, when operated by other companies, should be charged against the account "Operating Joint Yards and Terminals—Dr." If located at points other than at terminals, the proportion of cost of operation should be charged to the account "Operating Joint Tracks and Facilities—Dr.," as amended in the Supplement to the Third Revised Issue of the Classification of Operat-

ing Expenses. If bills cover expense of maintenance as well as expense of operating, the proportion of expense of maintenance should be charged against the account "Maintaining Joint Tracks, Yards, and Other Facilities—Dr." The road rendering bills should credit the corresponding joint-facilities accounts. (*See Case 275.*)

CASE 118.

Query. Other lines have rendered bills against this company for proportion of salaries and other expenses of joint agencies, which have been credited to "Joint Tracks, Terminals," etc., and we make similar bills against other companies. Is the above classification correct, or should the same be charged and credited to "Station Employees," etc.?

Answer. With regard to the treatment of salaries and other expenses of joint agencies not within the definition of "Joint Facilities" contained in Accounting Series Circular No. 14, see the paragraph at the middle of page 2 of that circular. (*See Case 193.*)

CASE 119.

Query. Where an express company pays a fixed amount annually for express privileges over a road, including facilities at stations, etc., should any part of this be applied to account No. 18, "Rents of Buildings and Other Property?" If so, how shall we arrive at the proportion?

Answer. When contracts do not provide specific separate amounts for rent of facilities at stations, the entire fixed annual compensation should be credited to Operating Revenues, account No. 6, "Express Revenue."

CASE 120.

Query. How shall payments for trackage rights be disposed of when made upon the basis of a stipulated sum per ton or per passenger, or upon the basis of a proportion of revenue accruing upon the transportation over the line covered by the trackage rights, or upon the basis of a fixed sum per year?

Answer. The payments should be apportioned by agreement of the parties into two parts, one of which is estimated to cover the maintenance and operation costs with respect to the traffic of the lessee, which portion should be passed through the appropriate joint-facilities accounts in Operating Expenses. The remaining portion should be charged by the lessee to appropriate rent accounts under Income Account and credited by the lessor to appropriate rent accounts under Income Account.

CASE 121.

Query. A carrier pays another road a certain sum per annum for trackage rights at a station, the charges being based on a percentage of the value of the property, the debtor company owning no interest in said property. To what account shall the debtor road charge the bill?

Answer. If the debtor company bears in addition to such sum its proportion of maintenance and operating charges, the percentage of value is a case of rent, and the creditor company should credit, and the debtor company should charge it to appropriate rent accounts under Income Account. Otherwise the total charge should be apportioned by agreement of the parties into two parts, one of which shall cover, and only cover, the element of operation and maintenance, this portion to be charged and credited to the appropriate joint-facilities accounts in Operating Expenses. The remaining portion is a rent, to be passed direct to the appropriate account under Income Account.

CASE 122.

Query. Should amounts paid as license fees to cities for sidings on, along, or across streets be charged to taxes or to rents?

Answer. These fees are evidently paid to the city because the railway company occupies public property. They are therefore in the nature of rents paid to a private landlord and should be charged to appropriate rent accounts under Income Account.

CASE 123.

(Canceled.)

CASE 124.

(Duplicate of Case 53.)

CASE 125.

Query. Should all payments made for hire of equipment be disposed of through the account "Hire of Equipment?"

Answer. Yes. If for any reason it is desired to show separately the particular equipment concerned in a special case, this may be done through a subaccount.

CASE 126.

Query. Is the "Hire of Equipment" account applicable to switching roads?

Answer. Yes.

CASE 127.

Query. To what account should rent of lands and other property not used in the operation of the road or in outside operations be credited?

Answer. To appropriate rent accounts under Income Account.

CASE 128.

Query. We have a bill against an estate for permission to cross our right of way with a sewer pipe, and another one against a telephone company for permission to cross over our tracks with a telephone line. How should these matters be considered? We reserve the right to revoke the permission at our pleasure.

Answer. The privileges given are mere licenses, and the receipts therefrom may properly be credited to an appropriate account under Income Account.

CASE 129.

(Canceled.)

CASE 130.

Query. The A. & B. Railway Company renders bills against other roads for transferring (switching) cars at various points, made necessary by the fault of the road billed against, such bills including actual cost of transfer and per diem or car-hire charge accruing on the car during the time of such transfer. Would it be proper to credit items of this kind to account "Hire of Equipment?"

Answer. The portions of these bills covering per diem and car-hire charge accruing on the car at time of such transfer should be credited to the account "Hire of Equipment." The remainder of the bill should be treated as a "Switching Revenue." For a case where the load has to be transferred, see Case 131.

CASE 131.

Query. Our company renders bills against other roads for transferring the lading of cars at various points, made necessary by the fault of the road billed against. A portion of each bill covers per diem and car hire accruing on the car at time of transfer, and the remainder of each bill covers, first, cost of transferring the contents, and, second, a switching charge of \$1 a car for each car handled. Please advise proper disposition of this matter.

Answer. The portions of these bills covering per diem and car hire accruing on the car at time of transfer should be credited to the account "Hire of Equipment." The portions of the bills covering the cost of

transferring the contents of cars should be credited to the operating expense account "Station Employees." The \$1 a car for switching such bad-order cars should be credited to revenue account No. 9, "Switching Revenue."

CASE 132.

Query. Will you advise to what account in the Additions and Betterments classification should be charged the payments for the company's equipment used in connection with such work? I have assumed that the credit should be given to the account "Hire of Equipment."

Answer. A fair rent of equipment used in additions and betterments work should be charged to the various additions and betterments accounts affected, and be credited to account "Hire of Equipment."

CASE 133.

Query. Our company grants the privilege to certain other railroad companies to transfer their trains over a portion of its tracks, for which we charge a certain rate per car. These trains are not handled by the locomotives of our company, but we maintain and repair the tracks over which the trains move. How shall we treat this revenue?

Answer. The portion of the track referred to is a joint facility and amounts received for its use should be treated in accordance with the rule indicated in Case 17.

CASE 134.

Query. This company has an arrangement with several lumber firms whereby they pay us a fixed amount per car as trackage privilege for allowing them to transport with their own equipment and crews cars of logs destined to their mills. Upon the greater part of this service no operating expense accrues to the road other than wear and tear of track. How should this revenue be treated?

Answer. Should be credited to revenue account No. 18, "Rents of Buildings and Other Property."

CASE 135.

Query. In operating certain ore docks locomotives are employed in switching or spotting the ore cars, and for no other purpose. How should these ore docks, so far as the expense is concerned, be treated? Should the mileage of the locomotives be taken into "Switching Locomotive-Miles?"

Answer. The expenses of the ore dock should be charged to account "Coal and Ore Docks" under Transportation Expenses. Mileage of locomotives should be taken into "Switching Locomotive-Miles."

CASE 136.

Query. We operate a number of restaurants at various points on our line for the purpose of furnishing meals to patrons of the road. Recently we leased some of these restaurants at a nominal consideration, the lessee to have all receipts and pay all expenses, except that our company is to furnish coal and ice. We treat the restaurants operated by the railway company as outside operations, and it is our intention to treat these expenditures for coal and ice for the leased restaurants as outside operations. May we do so?

Answer. Such leased restaurants are not operations as defined in the Introductory Letter to Classification of Revenues and Expenses for Outside Operations; i. e., no service is operated at them by the carrier; and therefore the cost of coal and ice furnished the lessee should not be charged to Outside Operations, but should be charged to Operating Expenses, account No. 66, "Station Supplies and Expenses."

CASE 137.

Query. We would like to have an illustration of what should be termed a rail-line expense in connection with floating equipment as provided in the text to the account "Operating Floating Equipment," under Transportation Expenses, page 78 of the official Classification, in order to distinguish between that account and the Outside Operations account.

Answer. The account "Operating Floating Equipment" under Transportation Expenses is designed to cover the cost of operating floating equipment operated in connection with the carrier's transportation operations, such as car ferries, in lieu of a bridge or tunnel, etc.

CASE 138.

Query. Sleeping cars are not listed among the cars classified as passenger-train cars in Note A under the account "Passenger-Train Cars—Repairs." Please advise if this was an omission or if it was the intention to make some other disposition of the case of repairs to sleeping cars.

Answer. Sleeping cars were omitted from the list of passenger-train cars because they should be treated as outside operations. All general or shop repairs to sleeping cars should be treated through Outside Operations; ordinary running repairs being charged to "Passenger-Train Cars—Repairs."

CASE 139.

Query. When our right-of-way agents purchased the right of way for our line we were compelled to buy a number of houses in order to get

the lots through which our line was expected to run. When grading was commenced these houses were removed from the right of way thus purchased. As soon as we came into possession of these houses we rented them and have always reported such earnings in the Miscellaneous Income account in our annual report to the Interstate Commerce Commission. In the official Classification of Operating Revenues I fail to find any provision made for such income in accounts Nos. 18 and 19. The houses that I have reference to are in no way used in the operation of the road. Please advise to what account such earnings should be credited.

Answer. Rents received from rent of buildings and other property not included in the operation of a road should be credited to an appropriate rent account under Income Account.

CASE 140 (*amended*).

Query. This company purchased property, apart from right of way, upon which to erect a dwelling for the occupancy of the superintendent of motive power, taking the title thereto in the name of our vice-president, who filed with us a declaration of trust. How shall we classify this expenditure?

Answer. This expenditure should be charged to account No. 6, "Other Permanent Investments," as provided in Form of General Balance Sheet Statement.

CASE 141.

Query. We own several houses not on the right of way of the company and are in doubt as to which account should be credited with these rents. Please inform us.

Answer. Rents received from rent of buildings and other property not included in the operation of a road should be credited to an appropriate rent account under Income Account.

CASE 142.

Query. I note in Outside Operations that "Cold-Storage Plants" covers the operations of railway cold-storage plants for the use of which specific charges are made or allowances included in through rates. We charge tenants in our warehouses a stated price per cubic foot per annum for refrigeration. Should this amount be credited to "Cold-Storage Plants?"

Answer. If the refrigeration operations can be treated satisfactorily as an outside operation—that is to say, if a fairly accurate determination of the cost of maintaining and operating such refrigeration operations

can be made—the amounts charged tenants for refrigeration in warehouses should be credited to Outside Operations—“Cold-Storage Plants.”

CASE 143.

Query. We have tug and barge lines carrying coal from Z Harbor to points on the Y coast. May these be treated as outside operations; and if so, in which of the accounts proposed?

Answer. Yes; through Outside Operations—“Boat Lines.”

CASE 144 (*amended*).

Query. To what account should be credited Other Track Material taken up, such as scrap angle bars, frogs, etc.?

Answer. Should be credited to the cost of the work in connection with which it is taken up.

CASE 145.

Query. Where 63-pound rail is replaced with new 80-pound rail and 56-pound rail in another main line is replaced with the 63-pound rail released by the new rail, is the betterment the difference between the 80-pound rail and the 56-pound rail finally released?

Answer. Yes; so far as the question of weight is a factor in determining the amount of betterment. See text of account No. 8, “Increased Weight of Rail” in the Classification of Expenditures for Additions and Betterments.

CASE 146.

(Refers to additions and betterments. See *Accounting Series Circular No. 12c.*)

CASE 147 (*amended*).

Query. Is it proper to charge betterments to locomotives to the account “Locomotives—Replacement?” What I have particular reference to is the equipping of some of our freight locomotives with electric headlights.

Answer. No. All additions and betterments to equipment should be charged to the appropriate equipment account in the Classification of Expenditures for Additions and Betterments.

CASE 148.

(Refers to additions and betterments. See *Accounting Series Circular No. 12c.*)

CASE 149.

Query. We frequently have assessments against company's property for street paving, sidewalks, curbs, sewers, etc. Is not this properly a charge to appropriate Additions and Betterments accounts?

Answer. No. Such charges are provided for by the Classification of Operating Expenses, Third Revised Issue.

CASE 150.

Query. I do not find any provision made in the Classification of Expenditures for Additions and Betterments for railroad track scales. Shall these be charged to account No. 29, "Miscellaneous Structures?"

Answer. Yes.

CASE 151.

Query. Our road is operated to bring ore from mines and carry supplies to those mines. Shall all improvements be charged to Operating Expenses?

Answer. No. Division must be made between operating expense and additions and betterments accounts with regard to improvements; that is to say, all expenditures for real improvements and additions to the property must be excluded from operating expense accounts.

CASE 152.

(Refers to additions and betterments. *See Accounting Series Circular No. 12c.*)

CASE 153.

Query. What account should be charged with obsolete material which is taken out of stock and sold as scrap?

Answer. The loss on such material should be adjusted in the next inventory account. (*See Case 9.*)

CASE 154.

Query. Our organization includes a stationer and a small force who, under the jurisdiction of the purchasing agent, buy the stationery supplies, distribute same on requisitions, and keep the stationery stock. To what account should the salaries be charged?

Answer. The stationer and his force bear the same relation to "Stationery and Printing" that the storekeeper and his force do to "General Stores," and their salaries should be treated through a clearing account analogous to "Store Expenses."

CASE 155.

Query. Note B, under "Ties," page 24 of the official Classification of Operating Expenses, reads as follows: "This account may include each month a proportion of the total amount authorized or approximated for renewals during the fiscal year, regardless of the month in which the actual renewal is made." Are we authorized to handle in the same way our charges to "Injuries to Persons," "Stationery and Printing," and "Loss and Damage?" On account of the fluctuating charges to the above accounts we have, in the past, been making an estimated charge each month, adjusting the total at the end of the year to an actual basis for the twelve months. This has been done by running the items through a suspense account. The actual charges to these accounts vary to a large extent. For instance, we may have a charge to "Injuries to Persons" in one month of \$25,000 and the next month of but \$3,000.

Answer. The method proposed above for handling charges to "Injuries to Persons," "Stationery and Printing," and "Loss and Damage" accounts is satisfactory, provided that the charges be adjusted annually. Reserves should be held until liabilities for which they were created are liquidated.

CASE 156.

Query. The general manager of this company has supervision over all departments; he is also purchasing agent. Should a portion of his salary be charged to "Store Expenses" and the remainder be divided equally among the five general accounts?

Answer. Where the general manager of a company has supervision over all departments and also acts as purchasing agent, his salary should be divided equally among the general accounts in accordance with Note B on page 22 of the Classification of Operating Expenses.

CASE 157 (amended).

Query. We put in a great number of sidings and spur tracks each year to serve mines and lumbermen, which tracks are only temporary. We have been charging all new track material, such as rails, angle bars, and switches, direct to Property account, and the ties, spikes, labor of grading, track laying, and surfacing to Operating Expenses when the track is put in. If old rails, angle bars, and switches are used no charge is made. We now ask to be allowed to charge the cost of such temporary tracks (except track material) direct to Operating Expenses. Is this permissible?

Answer. The first cost of sidings and spur tracks should be charged to additions and betterments accounts. When moved or taken up, the cost of sidings or spur tracks should be handled in accordance with the Classification of Expenditures for Additions and Betterments, the idea being that the Property accounts should at all times represent the actual investment.

CASE 158.

Query. In the business of transporting ore from mines a company is continually obliged to install mine tracks at mines to reach stock piles and ore bodies, these tracks being continually relocated and removed. How shall we consider the cost of installing and changing these tracks, and may we establish new primary accounts to cover this?

Answer. It is proper to consider the cost of relocating and changing these tracks to stock piles and ore bodies an operating expense. It is not permissible to set up new primary accounts. Subprimary accounts under the various primary accounts promulgated may be set up in accordance with the order of the Interstate Commerce Commission of June 3, 1907, relative thereto. (See Case 157.)

CASE 159.

Query. Referring to primary accounts "Maintaining Joint Tracks, Yards, and Other Facilities—Dr." and "Maintaining Joint Tracks, Yards, and Other Facilities—Cr.," and so on, does the word "joint" indicate joint ownership of the property?

Answer. No. The word "joint" indicates merely joint benefit and does not require joint ownership.

CASE 160.

Query. The A B Railway Company owns a certain mileage, 21 miles of which is operated jointly with the X Y Railway Company. Formerly the A B Company made all pay rolls, etc., on its blanks, billing against the X Y Company for its proportion of maintenance and operation on a wheelage basis. Later, on account of change of location of certain of the X Y Company's offices, it operated this joint territory and billed against the A B Company for its proportion of cost of maintenance and operation on a wheelage basis. The A B Company heretofore billed against the X Y Company for its proportion of the rent, based on the interest on one-half of the cost of the property used jointly. How shall this matter be disposed of on the present basis?

Answer. The detailed accounting for the operating expenses of this particular portion of tracks should be carried through the operating expense accounts of the X Y Railway Company, and the A B Railway Company's portions of these charges be credited by the X Y Company to the joint-facilities creditor accounts and charged by the A B Company to the like-named debtor accounts. The interest upon one-half of valuation is a rent to be carried direct to Income Account.

CASE 161.

Query. A carrier pays another road a monthly proportion of expenses of operating and maintaining a station and yards, the debtor company owning none of the property. To what account should the debtor charge the bill?

Answer. The operating carrier should credit the monthly proportion of expenses of operating and maintaining station and yards to the appropriate joint-facilities accounts and the debtor company should charge to the like-named debtor accounts. The maintenance account will be "Maintaining Joint Tracks, Yards, and Other Facilities;" the operating account will be "Operating Joint Yards and Terminals."

CASE 162.

Query. According to the Classification of Operating Expenses, is it proper to charge to renewals only the authorized or approximated amounts for renewals during the fiscal year, or are we allowed to handle this account in such manner as to provide for a period beyond the fiscal year?

Answer. Operating Expenses of any fiscal year should bear only such portion of appropriations for renewals as is necessary to provide for exact maintenance during that year. They should not be charged with any amount the expenditure of which goes to improve the property, or to provide for maintenance during later years.

CASE 163.

Query. Note A, under "Ballast," page 23 of the Classification of Operating Expenses, states that the cost of loading cinders at ash pits should be charged to account "Enginehouse Expenses—Yard," or "Enginehouse Expenses—Road." I presume that this note contemplated that the cinders would be loaded by enginehouse employees, while, as a matter of fact, the loading is often done by roadway employees. In case where this labor is performed by the roadway department, will it not be permissible for us to charge the expenses to "Ballast" instead of to "Enginehouse Expenses?"

Answer. No; the charge should be made to "Enginehouse Expenses."

CASE 164 (*amended*).

Query. If a trackman is injured by a freight or passenger train, should the expense or settlement of that injury be charged to "Maintenance of Way—Injuries to Persons," or "Transportation Expenses—Injuries to Persons?"

Answer. To "Injuries to Persons," under Transportation Expenses.

CASE 165.

Query. If a prospective passenger at a station should be injured by a work train, would that charge be to "Maintenance of Way—Injuries to Persons," or "Transportation Expenses—Injuries to Persons?" In other words, should not the class of the train doing the damage determine the charge?

Answer. It should.

CASE 166.

(Canceled.)

CASE 167.

Query. The principal business of this company consists of handling ore and coal during the lake navigation season, and the bulk of our earnings accrue in the period April 1 to November 30, inclusive. It has been our practice in the past with respect to the distribution of arbitrary charges affecting our income, such as interest on bonds, etc., to charge out the accruals for the year in the eight months' period above specified and make no charges for the same during the months December, January, February, and March, during which period our earnings are comparatively very small. Will it be proper to continue this practice with respect to the depreciation charges—that is to say, for the balance of this year may we absorb in the five months, July 1 to November 30, one-half of the annual amount to be set aside in the replacement funds, instead of spreading the same through the six months, and for the annual depreciation charges for 1908 begin taking care of the same in the month of April?

Answer. It will be improper to distribute depreciation charges for the year arbitrarily among the months specified. The depreciation charge is not an arbitrary charge. It is a charge to Operating Expenses designed to cover the consumption of plant incident to operation. This consumption of plant, while probably greatest during the portions of the year in which the transportation operations are heaviest, does not depend alone upon the use which is made of the property. A considerable portion of the physical deterioration goes on whether the property is in active service or not, and the matter

of obsolescence is entirely independent of the use of the property. The depreciation charges should be made from month to month in accordance with what may fairly be judged to be the actual depreciation or loss in value of the equipment in service. In the event that the depreciation is not charged at a uniform monthly rate, the rates used in charging depreciation for the various months of the year should be filed with the Bureau of Statistics and Accounts of the Interstate Commerce Commission.

CASE 168.

Query. Our equipment is all old second-hand equipment, which may be suitable for service for from three to fifteen years. What per cent of depreciation should be charged yearly against such equipment?

Answer. The order of the Interstate Commerce Commission prescribes no rate to be used for computing depreciation of equipment. Accounting Series Circular No. 13 contains the principles to be followed, and each carrier should determine its own rate.

CASE 169 (*amended*).

Query. A new freight car, valued at \$665, was destroyed in the month of July. Estimated salvage \$100, net loss \$565, no depreciation so far charged. Kindly advise full treatment of this matter.

Answer. Where a new freight car went into service on July 2, or later during the month of July, and was destroyed during the month of July, salvage being \$100, original cost \$665, net loss \$565, the \$565 should be charged to account "Freight-Train Cars—Renewals," the \$100 should be charged to "Materials" or the equivalent account, and the "Freight-Train Cars—Replacement" fund should be credited \$665. To the Replacement account should then be charged the cost of the car, and account No. 33, "Equipment," in Classification of Expenditures for Additions and Betterments, should be credited with such cost. If, however, the car was in service on July 1, 1907, depreciation charges should be made with respect to that car for one month's depreciation, in which case the renewals charge will be less than above stated by the amount charged on account of one month's depreciation. If the car was in service prior to July 1, 1907, account must be taken of the depreciation accrued prior to that date, in accordance with the principles given in Accounting Series Circular No. 13. When any car goes out of service, the principal sum upon which depreciation charges for this class of equipment are to be based should be adjusted accordingly.

CASE 170.

Query. Suppose a car valued at \$665 is sold after being placed in the Equipment account, the amount received being the original cost. To what account should the bill for the value of the car be credited, and what entries are necessary to make proper charge against "Freight-Train Cars—Renewals?"

Answer. The amount of the bill should be credited to the Replacement account and an entry made to account "Freight-Train Cars—Renewals," as directed in the text of that account. The treatment in this case will result in a credit to the Renewals account and a debit to the Replacement account equal to the accrued depreciation on the car. The Replacement account should then be cleared by crediting the original cost of the car to Additions and Betterments account No. 33, "Equipment."

CASE 171.

Query. In the text under "Depreciation," pages 38, 44, 45, 47, 49, 50, and 52 of the Classification of Operating Expenses, where the phrase "to provide a fund for replacement when retired" occurs, is the word "fund" to be interpreted as meaning merely a book account or are carriers supposed to set aside a distinct sum of money in bank for the purpose prescribed?

Answer. It is not required that a definite sum of money be set aside in bank equal to the accumulations in the reserves for replacement of equipment.

CASE 172.

Query. Owing to the manner in which Equipment accounts and depreciation on equipment have been handled heretofore, and in accordance with the Classification of Expenditures for Road and Equipment, would it be proper to take an inventory of our equipment as of July 1, 1907, putting a fair price on locomotives, etc., and credit "Locomotives—Replacement" fund, etc., for the increase to these different items, thus getting an inventory value of our equipment as of that date?

Answer. All adjustments of ledger accounts to inventory values of equipment as of July 1, 1907, should be made as debits or credits to Profit and Loss.

CASE 173.

Query. The line of the A B Railway Company together with that of the X Y Railway Company forms a through line between F and G. The A B Company having no shops of its own has all repairs to equip-

ment made in the shops of the X Y Company. It is desired to charge into the accounts of each company the cost of repairs and other shop work performed for the respective companies, and for that reason what is substantially a clearing account is used for all expenses of the shop. May this be done?

Answer. Yes.

CASE 174.

Query. Frequently it is not possible to preserve the identity of scrap taken from cars and locomotives torn down, as it goes into the general scrap heap and is sold when there is a market for it. Is it proper for us to make as close estimates as possible of the value of scrap and second-hand material from equipment and use those estimates in making credits to Replacement accounts and in arriving at the amount to be charged to the different Renewals accounts in Operating Expenses?

Answer. Yes.

CASE 175.

Query. Am I correct in understanding that charges to Renewals accounts are to be made only when equipment is condemned, destroyed, or sold?

Answer. Charges to Renewals accounts are to be made only when equipment goes out of service. In this connection see Accounting Series Circular No. 13.

CASE 176.

Query. Supposing one of our cars is destroyed on the rails of a foreign line and we bill against them for its present value only, which is the original cost less depreciation of — per cent per year. Should this amount be credited to "Freight-Train Cars—Repairs," or would it be proper to credit the amount of the bill to "Replacement" fund, so that when the car is rebuilt it could be charged to the same account?

Answer. Credit to "Freight-Train Cars—Replacement." The cost of the car should also be taken out of the "Equipment" account, as provided in Classification of Expenditures for Additions and Betterments.

CASE 177.

Query. At B our power house, used for running different machines in the shops, not only furnishes power for the running of the machines but also has two dynamos from which electric lights are furnished to the passenger station, freight office, and other buildings. We can, of course, determine definitely the cost of labor for producing the electric current for lighting the buildings and can make charges to the proper

accounts, but we can not divide the fuel and supplies directly among any of the accounts. Should not such supplies be charged to clearing account "Shop Expenses" and prorated among the accounts on the basis of the distributed charge to each individual account?

Answer. Yes.

CASE 178.

Query. We have a power house which supplies electric light for a large passenger station, freight houses, and warehouses, as well as a train shed; also furnishes heat for the same building, as well as refrigeration for cooling boxes in the warehouses. This plant is operated as one and serves the different buildings mentioned. Shall it be understood from the classification that the expense of operating this power plant shall be charged to account on page 74, "Operating Power Plants," and that the repairs should be charged to account on page 52, "Power Plant Equipment?"

Answer. The expense of operating such a power plant may be treated through a clearing account and distributed to the various accounts chargeable with product furnished. The repairs to the building and the machinery therein should be charged to "Buildings, Fixtures, and Grounds."

CASE 179.

Query. Shall it be understood that total charges to the clearing account "Shop Expenses" shall be distributed only among the accounts specially mentioned in the official classification in that connection, or may the distribution be made over all accounts affected?

Answer. The distribution should be made upon the basis of distributed labor over all accounts affected.

CASE 180.

Query. With regard to power plants not chargeable to "Outside Operations," but which are used to generate current for purposes other than the propulsion of electric locomotives, trains, or cars, it has been our custom to include the cost of maintaining the buildings and equipment of the plant, together with the cost of operating the same, in a convenience account. The product is distributed and charged to the various accounts affected. How shall this matter now be treated?

Answer. If the power plant is used solely for the purpose of furnishing power to shops, the cost of operation should be disposed of through the clearing account "Shop Expenses." The cost of maintaining buildings should be charged to "Buildings, Fixtures, and Grounds," and the

leaving. May expense be divided between yard and road service on the basis of mileage, using 6 miles per hour constructive mileage for yard work?

Answer. The expense should be divided between yard and road service on the basis of service rendered.

CASE 191.

Query. Our road, less than 10 miles in length, affords in connection with other roads, all of which it crosses, a means for the interchange of freight traffic between these other roads. Manufactories and industries located along its line and siding extensions are also afforded service to and from each of the other roads with which it connects. The traffic handled, practically all freight, is moved at a fixed rate for each loaded car handled, irrespective of destination or character of lading, no charge being made for the movement of empty cars. Is it proper to credit our earnings to "Switching Revenue" and treat items of transportation expenses as "Yard" expenses?

Answer. The earnings should be credited to "Switching Revenue" and the transportation expenses be treated as yard expenses in contradistinction to road expenses, where it is necessary to distinguish between them.

CASE 192.

Query. Our railway is a terminal road engaged in switching cars between the manufactories located on the lands of the —— Company and the A B and C D railway companies. Should our transportation expenses be reported as "Yard" or "Road?"

Answer. If the service is purely a switching service—that is to say, if the charges for such service depend solely on the number of cars moved and are independent of the commodity, weight, and character of the loading of such cars—the transportation expenses should be treated as a "Yard" service expense.

CASE 193.

Query. Another company pays the salary of the agent and his assistants at a station where some switching is performed, but not at a regular yard, and bills our company for one-half of the amount. Should the company paying the expenses credit the operating account to which this expense is charged, viz, "Station Employees," with their bill against us, or should they credit "Operating Joint Yards and Terminals—Cr.?"

Answer. It is not expected, for the present, that joint employees will be considered joint facilities. It will, therefore, be necessary for the creditor company to credit the proportion of salaries of agents and assistants in such case charged against another company to account "Station Employees," and the debtor company to charge its proportion to the same account. This applies only where the joint arrangement affects employees alone. Where the employees are engaged in maintaining or operating joint facilities, their salaries and expenses are a part of the joint-facilities expenses treated through the joint-facilities accounts. In this connection see page 2 of Accounting Series Circular No. 14.

CASE 194.

Query. What account should be credited with money received from other railroads for water furnished their locomotives?

Answer. The account originally charged, "Water for Yard Locomotives," or "Water for Road Locomotives," as the case may be.

CASE 195.

Query. The A B Railway Company runs its equipment and crews from F (the junction between that company and ours) over our lines to H and return, for which we pay that company 15 cents per mile for passenger locomotive service when in regular runs. When run in special passenger service or freight service, we pay 30 cents per mile. How shall we dispose of these charges?

Answer. The two carriers interested should agree upon an apportionment of the mileage charge, and the portion allotted to the locomotive should be passed through the "Hire of Equipment" account; the portions allotted to enginemen, fuel, water, waste, etc., should be passed through the appropriate primary operating expense accounts. Statistics of miles made between the two points must follow the expense for such service.

CASE 196.

Query. Under what head should labor of lighting switch lamps be charged?

Answer. If not at terminals, it should be charged to "Station Employees;" if at terminals it should be charged to "Yard Switch and Signal Tenders."

CASE 197.

Query. To what account should be charged care of switch lamps at stations along the line?

Answer. When at stations at which no regular switching service is maintained, the labor should be charged to "Station Employees" and the supplies to "Station Supplies and Expenses."

CASE 198.

Query. Referring to the account, "Station Employees," on page 64, the sixth line mentions telegraph operators at stations. Does this cover pay of telegraph operators at large freight stations who perform no other service, or should the salary of such operators be charged to the account on page 77, "Telegraph and Telephone—Operation?"

Answer. Salaries of telegraph operators at stations should be charged to "Station Employees."

The classification is revised by amending the text under "Telegraph and Telephone—Operation" by striking out the words "who also perform other station work" in the first paragraph of that account at the top of page 78.

See Supplement, effective on July 1, 1908, to Classification of Operating Expenses for Steam Roads, Third Revised Issue.

CASE 199.

Query. Under the rules of the Produce Exchange there is a deputy inspector of weights who attends to all loading of grain for export at our terminal. His salary is paid by the Produce Exchange. His duties are to inspect, measure, and grade the grain. It occasionally happens that we want to load this grain out of hours, and in order to have the services of this man after working hours and on Sunday we have to pay for such services. To what account should such payments be charged?

Answer. To "Station Employees" if not incidental to an outside operation.

CASE 200.

Query. To what account should be charged stationery and printing expenses incurred on account of operating floating equipment?

Answer. To "Stationery and Printing" under Transportation Expenses, when not incidental to outside operations.

CASE 201.

Query. Our superintendent of water service has charge of production of treated water for use of locomotives and his duties are confined exclusively to this work. May we charge his salary to the account "Water for Yard Locomotives" or "Water for Road Locomotives," as the case may be?

Answer. Yes.

CASE 202.

Query. How shall we dispose of amount allowed for loyal service and overtime work of certain employees during a strike of the coal shovelers and laborers and sympathetic strike of roundhouse men?

Answer. The amount allowed for loyal service and overtime work of certain employees during a strike should be charged to the same account as would have been charged for the work had it been performed during regular time.

CASE 203.

Query. Should hostlers and helpers at roundhouses be classed as enginemen and charged as are the latter to "Yard Enginemen" or "Road Enginemen," or should they be classed under "Enginehouse Expenses"—Road or Yard?

Answer. Pay of hostlers and helpers at roundhouses should be charged to "Enginehouse Expenses—Road" or "Enginehouse Expenses—Yard," as the case may be.

CASE 204.

Query. We have employed on our road a number of men known as gatemen, who operate gates which are in reality signals at railroad crossings, not highway crossings. Is it proper to charge the pay of these men to "Interlockers and Block and Other Signals—Operation?"

Answer. Yes.

See Supplement, effective on July 1, 1908, to Classification of Operating Expenses for Steam Roads, Third Revised Issue.

CASE 205.

Query. To what account shall expenses, such as car fare, traveling expenses, etc., of station employees be charged?

Answer. To "Station Supplies and Expenses."

CASE 206.

Query. In the matter of cars which do not pass inspection at junction points, by reason of which loads are transferred, it has been customary to make, in addition to the cost of the transferring, a charge for switching. To what accounts should this item of switching be charged by the road bearing it, and how should it be credited by the road receiving it?

Answer. This item of switching should be credited by the receiving company to revenue account No. 9, "Switching Revenue," and charged by the paying company to account "Other Expenses" under Transportation Expenses.

CASE 207.

Query. How shall we dispose of the expense to a company for having its checks cashed at banks; also for drafts payable in other cities issued in payment of the company's indebtedness?

Answer. These two items should be charged to "Other Expenses" under General Expenses.

CASE 208.

Query. A company devotes annually to a pension fund, say, \$30,000. The amount of pensions actually paid during the past year was, say, \$10,000. How should these amounts be treated?

Answer. The \$30,000 devoted annually to the pension fund can not be considered a proper charge to Operating Expenses. Operating Expenses are chargeable only with amounts of pensions paid to retired employees and expenses in connection therewith. (See Case 302.)

CASE 209.

Query. The management of our company consists of several officers receiving no salary, also a general bookkeeper and auditor, whose salary we would charge to "General Expenses." Is this correct? We also have a general superintendent located on the road, who is responsible for the whole local management of the road. Further, we have a general agent who performs the duties of clerk to the superintendent and of local agent at the only station where we have an agent and local accountant. How shall we dispose of these salaries?

Answer. The salary and expenses of the general bookkeeper and auditor, if the same person, should be charged to "Salaries and Expenses of General Officers." The salary and expenses of the general superintendent should be charged as per note on page 64 of the Classification of Operating Expenses. The salary and expenses of the general agent should be charged in accordance with services rendered.

CASE 210.

Query. With respect to terminal roads, what rule should be followed in dividing earnings between "Freight Revenue" and "Switching Revenue?"

Answer. See revised text for account No. 9, "Switching Revenue," in the Supplement, effective on July 1, 1908, to Classification of Operating Revenues for Steam Roads, First Issue.

CASE 211 (*amended*).

Query. Is it permissible to charge claims paid during the fiscal year against a reserve set up for freight overcharges, and make such further accruals by charges to revenue accounts as may be necessary to cover estimate of existing overcharge claims; thus maintaining a sufficient reserve to cover approximately all outstanding overcharge claims at any given time?

Answer. Yes. Reserves should be held until liabilities for which they were created are liquidated.

CASE 212.

Query. For several years past our company has paid the A B Company one-half of the cost of towing their boats to and from our wharf at Y in lieu of cartage expense. It seems to me this might be termed "water switching," and we would ask if it is not proper to charge this service to "Freight Revenue?"

Answer. Yes.

CASE 213.

(Answer not finally approved. *See Accounting Series Circular No. 12c.*)

CASE 214.

Query. On a car received from a connecting carrier certain switching was necessary at X Junction, charges for which amounted to \$20, and were absorbed by our line. A portion of this switching charge absorbed was recovered from another connecting carrier. How shall this matter be treated?

Answer. The net switching charge absorbed should be charged to the account to which was credited the revenue upon the shipment.

CASE 215.

Query. The A & B Railway Company enjoys the use of our tracks, station buildings, and other facilities between X and Y, paying therefor a specified rent on a valuation basis, wheelage proportion of maintenance, and agreed proportions of station service (principally train telegraph service). The A & B Railway Company has no right to transact a local business between the points named. Recently our operating officials entered into an agreement under which the A & B trains should handle our local freight and passenger business between those points for a stipulated percentage of the revenue. Note C under account "Passenger Revenue" reads as follows: "When a lessee com-

pany transports passengers over the tracks of another carrier on the basis of a proportion of revenues, it should include the entire compensation in its revenues and statistics, charging the appropriate joint-facilities expense and rent accounts with the amount paid the lessor company, and the lessor company should credit the same accounts." No similar provision is made for a like case under "Freight Revenue." Applying Note C to our case, I take it to mean that the A & B Railway Company should include in its passenger revenue the full revenue from our line tickets taken up and should charge its operating expense accounts with the proportion accruing to our line. Should like disposition be made of freight revenues from local traffic between X and Y?

Answer 1. The amounts paid by the A & B Railway Company for use of tracks, station buildings, and other facilities between X and Y, based on a specified rent and proportion of the expenses of maintenance and operation, should be handled through the appropriate joint-facilities accounts in Operating Expenses and Income Account. The lessor company should charge its various operating expense accounts with the full cost of operation and maintenance.

2. The A & B Railway Company should include in its freight and passenger revenues the entire receipts of the local freight and passenger traffic between X and Y, and the proportion accruing to the lessor company should be handled through the appropriate joint-facilities account in Income Account. Note C referred to applies only when the proportion of the revenues paid is the full payment for use of joint tracks, etc., and it is intended that such payments should be apportioned to the joint-facilities accounts affected in Operating Expenses and Income Account.

CASE 216.

Query. A train stops at X, but tickets to that point can not be bought for this train. The first point beyond to which a ticket may be bought is Y. It sometimes happens that a party desiring to get to X in a hurry buys a ticket to Y and leaves the train at X, thus leaving an unused portion of the ticket in the hands of the conductor, which is returned to the auditor of passenger accounts. Or, in the case of reduced rate in connection with some special feature, a person desiring to visit an intermediate point will buy an excursion ticket and not use it clear through to destination. How should these cases be treated?

Answer. The full amount received upon the sale of the ticket should be credited to revenue account No. 2, "Passenger Revenue."

CASE 217.

(Canceled.)

CASE 218.

Query. Our road enters ——— over leased lines, and not having terminal facilities of our own at this point, we look to connecting lines to do our switching. The A B Railroad Company bills against us for switching cars, both where that company participates in the earnings and where it does not (the charges in the latter case being higher), and in some cases whether the cars be loaded or empty. How shall we treat the various switching charges?

Answer. Such charges on loaded cars should be charged to revenue account No. 1, "Freight Revenue;" switching charges on empty cars, when not in connection with loaded movements, should be charged to account "Other Expenses" under Transportation Expenses. When the empty movement is in connection with a loaded movement, and wholly incidental thereto, the amount paid therefor should be charged to revenue account No. 1, "Freight Revenue."

CASE 219.

Query. Grain is transported to X from points west and is transferred from cars to elevators. Railroad companies receiving grain from such elevators for transportation pay to the elevator company one-quarter of 1 cent per bushel, this charge being covered by a note in our tariff. To what account should such charges paid to the elevator company by the railway company be charged?

Answer. To revenue account No. 1, "Freight Revenue."

CASE 220.

Query. What is the proper disposition of payments made to industrial concerns for services of their switch locomotives? We find it cheaper or more convenient to pay the industrial concerns the rate set forth in our tariff and have them do their own switching rather than to assign one of our own locomotives to that service.

Answer. Payments of this nature may be disposed of by charging them to revenue account No. 1, "Freight Revenue."

CASE 221.

Query. In the case of passenger trains run under a guaranty where you provide for splitting the revenue between "Passenger Revenue" covering amount received from the sale of tickets and "Other Passenger-Train Revenue" for the deficit made up by the guarantor I assume that the entire mileage should go under the head of "Passenger Train-Miles" and not under that of "Special Train-Miles." Is this correct?

Answer. Yes; unless the train is a mixed train. (See Case 85.)

CASE 222.

Query. This company handles picnic trains between X and V on the following basis: (a) So much for each train at an agreed price per coach without regard to the number of people handled; (b) so much for each passenger with a guaranty of so much revenue. In case the revenue per capita does not equal the guaranty, the deficiency is paid to the company. What is the proper classification in revenue account?

Answer. In the first case the revenue should be credited to revenue account No. 10, "Special Service Train Revenue." In the second case the portion of the receipts based upon the rate per passenger and the number of passengers should be credited to account No. 2, "Passenger Revenue;" the remainder, if any, received under the guaranty should be credited to account No. 8, "Other Passenger-Train Revenue."

CASE 223.

Query. Circus trains are handled between stations at a lump sum for a train, with a limitation on the number of people carried. Am I correct in assuming the revenue should be credited to revenue account No. 10, "Special Service Train Revenue?"

Answer. Yes.

CASE 224.

Query. In case of picnic trains, chartered trains, and theatrical trains, where the revenue is properly credited to revenue account No. 10, how should the number of passengers, the train mileage, and the car mileage be treated, as far as passenger statistics are concerned; that is, in ascertaining rate per passenger per mile, etc.?

Answer. No accounts should be kept of passengers and passenger miles where the revenue is properly credited to revenue account No. 10, "Special Service Train Revenue." With regard to train-miles, car-miles, locomotive-miles, etc., see the Classification of Locomotive-Miles, Car-Miles, and Train-Miles.

CASE 225 (amended).

Query. We derive revenue from transferring trains of other railroad companies over a portion of our tracks with our own power, for which we charge a certain rate per car. What disposition should be made of this revenue?

Answer. This should be credited to account No. 11, "Miscellaneous Transportation Revenue," or to account No. 9, "Switching Revenue," as may be determined by the nature of the service.

CASE 226.

Query. How should the earnings with respect to parlor-car service be treated?

Answer. When the parlor-car service is not an outside operation, such earnings should be credited to revenue account No. 4, "Parlor and Chair Car Revenue."

CASE 227.

Query. We ran a special train from A to B, destined to a point beyond, and required for our service a guaranty of \$114. Tickets collected amounted for our portion to \$51.65. We collected the remainder from roads beyond. How shall we treat this?

Answer. The portion collected under the guaranty should be credited to revenue account No. 8, "Other Passenger-Train Revenue." (*See Cases 85, 221, and 222.*)

CASE 228.

(Answer not finally approved. *See Accounting Series Circular No. 12c.*)

CASE 229.

Query. Garnishment suits are frequently entered against railroads for amounts due from them to other parties. In certain States the garnishee is allowed a fee for answering such suits. What should be done with these fees?

Answer. Credit garnishee fees to revenue account No. 19, "Miscellaneous."

CASE 230.

Query. To what account should sale of gravel from company's gravel pit be credited?

Answer. Profit should be credited to revenue account No. 19, "Miscellaneous." The average cost of production should be credited to the ballast clearing account.

CASE 231.

Query. Is the "Car-Service" account to be credited with the amount of car service accruing in the current month or only with the amount actually paid during that month?

Answer. Credits to revenue account No. 16, "Car Service," should be upon the basis of accruals.

CASE 232.

Query. Our road occasionally has opportunity to dispose of cinders. To what account should amounts thus received be credited?

Answer. Such credits should be made to revenue account No. 19, "Miscellaneous."

CASE 233.

(Answer not finally approved. *See Accounting Series Circular No. 12c.*)

CASE 234.

Query. If we charge to construction accounts the market value of securities given as a commission, to what account is it proposed to charge the difference between par value and cash market value?

Answer. The difference between the cash value of securities given as a commission and the par value of such securities should be charged to account "Discount on Securities Issued."

CASE 235 (amended).

Query. This company acquired from the A & B Railway Company (whose property we purchased en bloc) about 75 freight cars in bad condition. These cars were taken over at an estimated value of \$200 each and are not used in operating the property, but are held for work in grading, etc., and repairs have heretofore been charged to the work benefited. May we follow this procedure in the future?

Answer. Yes, if the cars are used on additions and betterments work; but if on construction of new lines the cost of repairs should go to account No. 34, "Repairs of Equipment" in the Classification of Expenditures for Road and Equipment.

CASE 236.

Query. Kindly advise to what account we should charge the cost of a log loader. This loader is not assigned or in any way attached to any particular flat car, and when not in use by this company will be used by outside parties at an agreed rate.

Answer. Cost of this log loader should, if chargeable to Operating Expenses, be charged to account No. 66, "Station Supplies and Expenses;" if chargeable to property account as first equipment of a new road, should be charged to account No. 18, "Station Buildings and Fixtures" under the Classification of Expenditures for Road and Equipment; if an addition to a road already in operation, should be charged to Additions and Betterments account No. 21, "Station Buildings and Fixtures."

CASE 237.

Query. I fail to find in the Classification of Locomotive-Miles, Car-Miles, and Train-Miles any provision made for motor or trailer mileage. Both of these kinds of mileage on our lines are a very large factor in our total. Please advise how we shall handle them.

Answer. The motor-miles may be disposed of through a subaccount under "Locomotive-Miles" and the trailer-miles through a subaccount or accounts under "Car-Miles."

CASE 238.

Query. How should miles run by nonrevenue cars in revenue trains be classified?

Answer. As revenue car-miles.

CASE 239.

Query. With regard to the provision under "Switching Locomotive-Miles," that switching miles shall be computed at the rate of 6 miles per hour for the actual time engaged in such service in excess of one hour at any one station, is it to be inferred that no mileage should be computed for the first hour?

Answer. The rule requires that no switching mileage should be taken into account for a locomotive in road service switching at a particular station unless the locomotive is engaged in such service more than one hour. If a road locomotive is engaged more than one hour, the rule is that the mileage should be computed at the rate of 6 miles per hour for only the excess time over one hour.

CASE 240.

Query. How should the miles made by switching locomotives in yard service be computed?

Answer. At the rate of 6 miles an hour.

CASE 241.

(Answer not finally approved. See *Accounting Series Circular No. 12c.*)

CASE 242.

Query. Should car mileage be kept under the four heads, "Freight car-miles," "Passenger car-miles," "Special car-miles," and "Non-revenue service car-miles," or more in detail, as "Freight car-miles—loaded," "Freight car-miles—empty," "Freight car-miles—caboose,"

"Passenger car-miles—passenger cars;" "Passenger car-miles—sleeping, parlor, and observation;" "Passenger car-miles—other passenger-train cars;" "Special car-miles—freight, loaded;" "Special car-miles—freight, empty;" "Special car-miles—caboose;" "Special car-miles—passenger;" "Special car-miles—sleeping, parlor, and observation;" "Special car-miles—other passenger-train cars;" "Nonrevenue service car-miles?"

Answer. The car mileage should be kept with the fuller detail, using the thirteen accounts as given.

CASE 243.

Query. In clearing a wreck it is necessary to use the wreck train, engine, and crew of another company. In preparing voucher, should the charge be distributed to "Hire of Equipment" and "Clearing Wrecks," or should the entire expense be charged to the last-named account? To what accounts would the bills of the company performing the service be credited?

Answer. Amounts paid for use of wreck engine, crew, and derrick of another company hired in emergency to clear a wreck should be charged to "Clearing Wrecks" by the company that pays the bill. The company furnishing the wrecking outfit should credit the amount to each primary account affected for actual service performed and credit the amount charged as rent of equipment to "Hire of Equipment."

CASE 244.

Query. What is the proper classification of expenses for stationery and printing used by outside agents, advertising department, and fast-freight lines?

Answer. Account "Stationery and Printing," under Traffic Expenses, includes all stationery used in traffic department, except stationery used by industrial and immigration bureaus.

CASE 245.

Query. The account "Train Supplies and Expenses" in the Classification of Operating Expenses, Third Revised Issue, provides for the cost of oil, grease, waste, wool, and other supplies used in lubricating cars. The account "Roadway and Track," under the subheading "Train Service," provides for the cost of fuel, stores, and other supplies for work-train locomotives and cars. Should the oil used for lubricating work trains be charged to "Train Supplies and Expenses" or considered as a portion of the supplies mentioned under "Roadway and Track?"

Answer. The Supplement to the Classification of Operating Expenses, effective on July 1, 1908, eliminates the cost of lubrication of work-train cars from "Train Supplies and Expenses," and provides for such cost through various accounts under Maintenance of Way and Structures.

CASE 246.

Query. To what revenue account or operating expense account should be credited the slight profits accruing to a carrier on bills rendered against other roads or individuals; that is to say, percentages added to labor, and material for superintendence, use of tools and accounting, and other items of profit, where the charge made is somewhat in excess of the cost to the carrier rendering the bill?

Answer. Should be credited to Operating Expenses. (See Cases 262 and 394.)

CASE 247.

Query. In regard to the distinction between "Operating Joint Yards and Terminals" and "Operating Joint Tracks and Facilities," and as to whether we should include in joint-facilities accounts, joint expenses of all kinds, such as interlocking plants, crossing flagmen, etc., we are now entering our July bills, and it is important that we know how these should be distributed. In this July account we will be vouchering and charging bills for joint facilities made and credited by other railroad companies prior to July. These bills will therefore not show the distribution to the joint-facilities accounts. Will it be proper to charge such bills to the proper joint-facilities accounts, regardless of the distribution made by the carrier rendering the bill?

Answer. Expenses that enter into accounts subsequent to July 1, 1907, on account of joint facilities of all kinds should be handled through the joint-facilities accounts.

See Supplement, effective on July 1, 1908, to Classification of Operating Expenses for Steam Roads, Third Revised Issue.

CASE 248.

Query. Under Maintenance of Equipment—"Superintendence" are included the words "general foremen." What is meant by this term and in what respect are they distinguished from shop foremen as shown under the clearing account "Shop Expenses," on page 56 of the Classification?

Answer. "Shop foremen" ordinarily includes foreman of machine shop, foreman of boiler shop, foreman of blacksmith shop, and foreman of any department. "General foremen" is a term applicable to such

foremen as have jurisdiction over the several departmental foremen known as shop foremen, where the organization is sufficiently large to require the service of a general foreman, as distinguished from a departmental foreman. Where a single foreman has charge of all shops without the assistance of departmental foremen, he should be regarded as a shop foreman.

CASE 249.

Query. Should per diem reclaims be treated as a matter of hire of equipment? If not, to what account should such per diem reclaims be charged and credited?

Answer. Reclaims should be treated the same as per diem payments and disposed of through the account, "Hire of Equipment."

CASE 250.

Query. In addition to our paying other companies a proportion of maintaining joint tracks, maintaining joint equipment, operating joint tracks, and general administration of joint tracks, we also pay a flat rent per annum. How shall we take care of such payments?

Answer. Should be charged to an appropriate rent account under Income Account.

CASE 251.

Query. Should the salary of a station agent who also acts as a copy operator for dispatching trains be divided between "Dispatching Trains" and "Station Employees," or should the salary be charged entirely to "Station Employees?"

Answer. All to "Station Employees."

CASE 252.

Query. To what account under the new classification should be credited amounts received from tenants for the privilege of cutting hay along our right of way?

Answer. Operating revenue account No. 19, "Miscellaneous."

CASE 253.

Query. Should not the notes under accounts "Water for Yard Locomotives," page 69, and "Water for Road Locomotives," page 72, Classification of Operating Expenses, Third Revised Issue, reading, "The apportionment of water as between yard and road locomotives should be on the basis of the relative number of tender tanks taken," be changed to read: "The apportionment of cost of water as between yard and road locomotives should be based on the relative number of tons of coal used on locomotives in yard and road service?"

Answer. The apportionment of water between yard and road locomotives should be on the basis of the relative number of tons of coal used on locomotives in yard and road service.

See Supplement, effective on July 1, 1908, to Classification of Operating Expenses for Steam Roads, Third Revised Issue.

CASE 254.

Query. To what account should compensation for the use of an air-brake instruction car, the property of a correspondence school, used by a railway company in the instruction of its employees in the transportation and motive power departments, be charged?

Answer. Should be disposed of in accordance with note on page 64 of the Classification of Operating Expenses, under "Transportation Expenses—Superintendence."

CASE 255.

Query. Matters pertaining to the land and tax departments of a certain railway company are in the hands of a land and tax commissioner of an allied company, and 5 per cent of his salary is paid by the former. Is such payment a proper charge to "Salaries and Expenses of General Officers?"

Answer. Yes.

CASE 256.

Query. Should metallic packing, now listed in transportation expenses under "Other Supplies for Yard Locomotives" and "Other Supplies for Road Locomotives," be considered a repair in place of a supply article? If such be the case, metallic packing would hereafter be listed under "Steam Locomotives—Repairs," "Electric Locomotives—Repairs."

Answer. Metallic packing is a vital part of a locomotive, and is more in the nature of repairs than supplies. It should be charged to "Steam Locomotives—Repairs" and "Electric Locomotives—Repairs," instead of to "Other Supplies for Road Locomotives" and "Other Supplies for Yard Locomotives." The Classification of Operating Expenses is amended accordingly.

See Supplement, effective on July 1, 1908, to Classification of Operating Expenses for Steam Roads, Third Revised Issue.

CASE 257.

Query. The Classification of Operating Expenses, Third Revised Issue, requires the apportionment of shop expenses among the various accounts affected on the basis of the amount of distributed

labor charged to those accounts. It is claimed this ruling is in conflict with M. C. B. Rule No. 104, and the question arises if it is the intention to disregard the M. C. B. rules where they conflict with Classification of Operating Expenses, Third Revised Issue?

Answer. M. C. B. rules govern only charges of one carrier against another carrier and do not affect or govern operating expense accounts. There is no conflict.

CASE 258.

Query. Are the pay and expenses of employees at stations used jointly to be handled through the joint-facilities accounts under Transportation Expenses?

Answer. Yes. (See Case 193.)

CASE 259.

Query. Should the amounts received for switching a private car and its occupants from one railroad to another in order to continue the movement from point of origin to destination be credited to account No. 9, "Switching Revenue?"

Answer. Yes.

CASE 260.

Query. Should the amounts received from switching express cars from one railroad to another to continue the movement from point of origin to destination be credited to account No. 9, "Switching Revenue?"

Answer. Yes.

CASE 261.

Query. To what account should coupons found in covers of interchangeable mileage books returned for redemption be credited?

What account should be credited with the value of coupons from mileage books which remain unrepresented after the expiration of the limit of the ticket?

To what account should be credited amounts of unclaimed penalty collections on trains; also, unclaimed redeemable portions of mileage tickets and credentials?

Answer. To account No. 8, "Other Passenger Train Revenue."

CASE 262.

Query. How should the percentage added to labor, representing the use of tools, superintendence, etc., and the percentage added to material, covering handling, transporting, and accounting, be treated—and how credited?

Answer. Should be credited to Operating Expenses. (See Case 246.)

CASE 263.

Query. Should the revenue derived from trackage charge levied by the A & B Railway Company, incident to deliveries of live stock to C & D Stock Yards Company, such deliveries being made by connecting lines' own power, and on basis of published tariff charges, be credited to account No. 19, "Miscellaneous," under Revenue from Operations Other than Transportation, or should same be apportioned to Income account, and joint-facilities accounts under Maintenance of Way and Structures, Transportation Expenses, and General Expenses?

Answer. Should be apportioned to appropriate rent account under Income Account and to joint-facilities accounts.

CASE 264.

Query. In the Classification of Operating Expenses, Third Revised Issue, under "Work Equipment—Repairs," "Steam Locomotives—Repairs," "Passenger-Train Cars—Repairs," and "Freight-Train Cars—Repairs," is included cost of supervision. Where such repairs are made by master mechanics, general foreman, car foreman, etc., whose pay comes under "Superintendence," on page 41, what supervision would be included in the repair accounts?

Answer. Account "Superintendence" includes pay of chief car inspector and general car inspector, but not of local supervising car inspector. This latter official's duties come under the term "Supervision," named in the repair accounts quoted. Superintendence covers officials having territorial jurisdiction over several points or several departments, and the primary accounts include local supervision and departmental supervision, as distinguished from above.

CASE 265.

Query. A railway company has arrangements for switching cars to industries and to other carriers' connections, in which the switching road is paid for the loaded haul and also for the return of the empty cars to the said railway company's line. Is the specific charge for the return movement of the empty car a proper deduction from the freight revenue as a part of the cost of effecting the delivery or charge under operating expenses to "Other Expenses?"

Answer. Charge to revenue account No. 1, "Freight Revenue."

CASE 266.

Query. If rent of a pile driver used in the construction of a bridge be charged to account No. 33, "Rent of Equipment" in the Classification

of Expenditures for Road and Equipment, how will the true cost of a bridge (on which this pile driver worked) be determined?

Answer 1. If the pile driver is permanently mounted on a car the charge for the rent thereof should be made to account No. 33, "Rent of Equipment" in the Classification of Expenditures for Road and Equipment, First Revised Issue. Should it be desired to divide this account into subprimary accounts so that the amount paid for hire of equipment used in constructing bridges can be ascertained, it may be done, provided that a list of such subprimary accounts be submitted to the Interstate Commerce Commission.

2. If the pile driver is not mounted on a car its rent should be charged to account No. 6, "Bridges, Trestles, and Culverts," in the Classification of Expenditures for Road and Equipment, First Revised Issue.

CASE 267.

Query. Where a certain rate is quoted in a tariff for the carrying of sand, is the charge of 10 cents for loading the sand, which service is performed by the A & B Railroad Company or by a contracting firm employed by the same company, a proper debit to operating expenses?

Answer. Yes; charge to "Station Employees."

CASE 268.

Query. Road A has trackage rights over the line of road B between two points, the consideration received being a toll of \$4 per loaded car, etc. These amounts have heretofore been credited to "Miscellaneous Earnings." Should such items be shown as a credit to primary account "Operating Joint Tracks and Facilities—Cr.?"

Answer. It is assumed that this payment includes the following items, and should be disposed of accordingly:

1. Maintenance, which should be disposed of to "Maintaining Joint Tracks, Yards, and Other Facilities."
2. Transportation expenses, which should be disposed of to "Operating Joint Tracks and Facilities."
3. Interest on valuation or rent, which should be disposed of to Income Account.

It is also assumed in this answer that there is no yard movement.

CASE 269.

Query. What account should be charged with amounts paid by a carrier for electric lights at street crossings not at stations or in yards,

the object being to make the crossing safer for the passage of traffic on the street?

Answer. To "Crossing Flagmen and Gatemen."

CASE 270.

Query. This line is a switching road entirely within the State of Pennsylvania. With but few exceptions, and then only for a short time, its cars do not leave the line, and consequently there is no charge for per diem against other companies. We pay to other companies the regular per diem charges for use of their cars while on our lines, and being a switching road, are allowed as reclaim from connecting lines a certain amount for cars returned within the time limit fixed by them.

Are we correct in charging "Hire of Equipment" with the amount paid to other companies for use of their equipment, and crediting "Hire of Equipment" with the amount of the reclaim received from connecting lines, and carrying the balance as a debit or a credit, as the case may be, to Income Account?

Answer. Yes.

CASE 271.

Query. To what account should be charged this company's proportion of the expense of maintaining and operating the mileage exchange order bureau of a passenger association? An interchangeable mileage ticket is in use in this territory. It is honored by all railroads in the association, and the record of the use of interchangeable orders is kept by the bureau mentioned for the purpose of detecting any misuse of these orders.

Answer. To "Traffic Associations."

CASE 272.

Query. The X Y Z Railroad has arrangements with a number of different roads through which the entire expense of interlocking plants protecting railroad crossings, also crossings protected by manual signals, as well as stations at railroad crossings, joint with other roads. One road pays the entire expense, both of labor and supplies furnished, and bills the other roads for their proportion. The tendency seems to be to throw these bills into joint-facilities accounts.

My understanding of the Joint Facilities Circular was that it applied to the property owned by one carrier, another carrier enjoying the facility, or, perhaps, operated by another carrier, in connection with

which it would be a proper charge to the different joint-facilities accounts; but it does not seem to me that a station out in the country, or an interlocking plant covering a road crossing, comes within the joint-facilities accounts. It seems to me that the proper charge is to the different primary accounts outside of joint-facilities accounts. I do not see how "Operating Joint Tracks" can be considered as the proper account in connection with road crossings, the train of each road passing over the crossing on its own rails. Please advise the proper disposition of these expenses.

Answer. The operating carrier should charge the full expense of operation and maintenance to the various operating expense primary accounts affected and should credit the proportions charged against other carriers to the appropriate joint-facilities accounts in Operating Expenses. The amount of rent (interest on valuation and proportion of taxes), if covered by settlements, should be credited to rents in Income Account.

The debtor carriers should charge the appropriate joint-facilities accounts in Operating Expenses and rents in Income Account. The account "Operating Joint Tracks" is amended to read "Operating Joint Tracks and Facilities" in order to embrace items of this nature not in yards or at terminals.

See Supplement, effective on July 1, 1908, to the Classification of Operating Expenses for Steam Roads, Third Revised Issue.

CASE 273.

Query. Should amounts paid to and received from other companies for use of joint facilities, when same are based on a proportion of interest on valuation, in addition to the expense incurred in maintaining and operating such property, be included under the following accounts: "Maintaining Joint Tracks, Yards, and Other Facilities" (debit and credit); "Maintaining Joint Equipment at Terminals" (debit and credit); "Operating Joint Yards and Terminals" (debit and credit); "Operating Joint Tracks and Facilities" (debit and credit); and "General Administration, Joint Tracks, Yards, and Terminals" (debit and credit)?

The note under each of the foregoing accounts shows the purpose of the account is to cover amounts accruing against or in favor of a carrier for its proportion of the expense, etc., and I am therefore unable to determine whether or not the interest on valuation is construed as an item of expense or should be carried through the Income Account as a fixed charge.

Answer. That portion of the charge which represents interest on valuation should be handled through the appropriate rent account under Income Account.

CASE 274.

Query. In connection with the subaccount "Icing and Watering Cars," under "Train Supplies and Expenses," referring to the item "Also cost of refrigeration when borne by the carrier," this company has considerable revenue from refrigeration charges collected in addition to the regular freight rates. No specific mention of this is made in the Classification of Operating Revenues, but as the Classification of Operating Expenses contemplates charging to "Train Supplies and Expenses" bills of other companies for refrigeration, it occurs to me that it would be proper to credit our bills and advance charges to the same account, notwithstanding there is a profit in the business.

What disposition should be made in regard to this matter?

Answer. They should be charged or credited to "Train Supplies and Expenses."

CASE 275.

Query. What disposition should be made of bills for operating interlocking plants at crossings?

Answer. Cost of operation of interlocking plants at railroad crossings used jointly should be handled by carriers other than the operating carrier through joint-facilities accounts. If located in yards or at terminals, charges should be made to the account "Operating Joint Yards and Terminals." If located at points other than in yards or at terminals, charges should be made to the account "Operating Joint Tracks and Facilities." The initial expenditure made by the operating carrier should be charged to its appropriate primary accounts (other than for joint-facilities) in operating expenses and the proportions thereof billed against other carriers should be credited to the appropriate joint-facilities accounts. See Supplement to the Third Revised Issue of the Classification of Operating Expenses, for amended text of the latter account. (See Case 117.)

CASE 276.

Query. In numerous instances agents can not collect amounts charged to them by audit office corrections against freight waybills. The partial provision in the text for "Freight Revenue" account does not seem to fully cover all the circumstances of these cases. The same question presents itself where agents are overcharged on basis of rates, weights,

or classification. Should not the amounts of which agents are relieved under such circumstances be set up in an open account on the audit office ledger in such manner that they may be fully and readily analyzed at any time; and that such account should be closed at the end of each year directly into Income Account?

Answer. All uncollectible undercharges in carrier's proportion of "Freight Revenue" growing out of corrections on waybills should be charged to account No. 1, "Freight Revenue," in compliance with the Classification of Operating Revenues; other uncollectible items on account of undercharge corrections on waybills should be charged to "Other Expenses" under Transportation Expenses.

CASE 277.

Query. At various junctions on our line we own, maintain, and operate stations, rendering bills against other carriers for their proportion of cost incurred to maintain and operate such stations. Should we charge entire expenses incurred in maintaining and operating these stations to "Joint Tracks, Yards, and Other Facilities," under Maintenance and Operation, or charge proportion of amount accruing against other carriers to joint facilities and the balance of costs, borne by us, to the detailed primary accounts outside of joint-facilities accounts?

Answer. Original costs for operating joint facilities should be entered in the various primary accounts of the operating company's operating expenses, and amounts billed against other companies should be credited through the joint-facilities accounts. (*See Case 193.*)

CASE 278.

Query. Where stations, interlockers, water stations, etc., are owned jointly by our company and other companies, should the cost of operation be charged to the various operating expense accounts or should it be handled through joint-facilities accounts?

Answer. Should be charged to the various operating expense accounts of the operating carrier and the proportion billed against other carriers credited to the appropriate joint-facilities accounts; other carriers debiting like joint-facilities accounts.

CASE 279.

Query. To what account should the revenue on a shipment lost or destroyed in transit be charged, and what account should be charged with the unearned revenue beyond the point where the shipment was lost or destroyed?

Answer. The revenue of the road on which the loss occurs should be charged to revenue account No. 1, "Freight Revenue." The amount paid to other companies for their proportion of freight charges accruing thereon should be made a charge to "Loss and Damage—Freight."

CASE 280.

Query. The A B Railway Company leases extensive terminals at F from the X Y Steamship Company and sublets certain wharf property to the C D Transportation Company. The property used by the C D Transportation Company was included in that leased to the A B Railway Company for the reason that the C D Company was a connection of the A B Company and its interests were more closely allied to those of the A B Company than to the X Y Steamship Company, with which it interchanged no traffic. In fixing upon the amount of the rent, the rental value of other property was considered, and to this was added the rent received from the X Y Steamship Company from the C D Transportation Company. For example, the value of other property to the A B Railway Company was, say, \$80,000 per year. The C D Company paid the X Y Company \$18,000 per year, and this was added to the \$80,000, making the rent paid by the A B Railway Company for the entire property \$98,000. In view of the manner of making up the rental charge named in the lease, we are crediting the rent received from the C D Transportation Company, less the cost of maintenance of the property, against the rent paid to the X Y Steamship Company. Inasmuch as the rent paid is an income matter, I think that the rent received is also an income matter after reimbursing operating expenses. Is this correct?

Answer. It is correctly handled.

CASE 281.

Query. The revised issue of rules of the Master Car Builders' Association, under rules 40 and 106, covers the charges to be made for the cost of removing advertisements tacked or pasted upon cars. Should this actual expense be charged to "Train Supplies and Expenses" or to "Freight-Train Cars—Repairs," and should the bills for performing the service be credited to "Train Supplies and Expenses" or "Freight-Train Cars—Repairs?"

Answer. Charge or credit "Train Supplies and Expenses."

CASE 282.

Query. A railroad company sends out a switch engine and crew to pick up lumber lost off a freight train belonging to another company.

To what account should the wages of the crew and use of engine be charged, and what accounts credited?

Answer. They should be charged to company responsible and credited to operating expense accounts originally charged. The rent of engine should be credited to account "Hire of Equipment."

CASE 283.

Query. To what operating account should be charged the proportion of joint operation of interlockers at crossings? For example, at a point on our line another company pays the entire cost of maintaining and operating an interlocker and bills on our company for a proportion of the expense. There are no yards or other facilities.

Answer. Costs of operation of interlocking plants at such railroad crossings used jointly should be handled through joint-facilities account "Operating Joint Tracks and Facilities."

See Supplement, effective on July 1, 1908, to the Classification of Operating Expenses for Steam Roads, Third Revised Issue.

CASE 284.

Query. We have inaugurated between A and C, in connection with another line of road, a through passenger-train service operated over our road from A to B (being intermediate between A and C), and operated over the other road from B to C. Our company pays all expenses, bills the second party each month for their proportion based on train mileage, and credits the account "Operating Joint Yards and Terminals—Cr." Is this correct?

Answer. No; this is not a joint facility and should not be handled through the joint-facilities accounts.

CASE 285.

Query. Under an agreement between the A B Company and the Y Z Railroad Company, executed before this the C D Company began operations, the C D Company handles traffic for the A B Company in A B cars between certain points on this road and the junction with the A B Company. The revenue on such traffic is entirely absorbed by the A B Company. The tracks over which this traffic is handled are owned, leased, operated, and maintained by the C D Company. Monthly bills are rendered against the A B Company, based on the cost of operation and maintenance (including taxes, etc.), as the number of cars, empty and loaded, handled for the A B Company bears to the whole number of cars, empty and loaded, handled over the

tracks as prescribed in the agreement. What accounts should be credited with the amounts of such bills?

Answer. 1. Maintenance charges should be handled through "Maintaining Joint Tracks, Yards, and Other Facilities—Cr."

2. Operating charges should be handled through "Operating Joint Tracks and Facilities—Cr." (for tracks), and "Operating Joint Yards and Terminals—Cr." (for terminals).

3. Administration charges should be handled through "General Administration Joint Tracks, Yards, and Other Facilities—Cr."

4. Charges representing interest on valuation and taxes should be handled through the appropriate rent account under Income Account.

CASE 286.

Query. Passenger trains owned by this company, operating under through schedules, run over about nine miles of tracks owned and maintained by the A B Railroad Company. The entire expense of the crew is paid by this company. The entire earnings of the train while on the A B Railroad tracks are absorbed by the A B Railroad Company. This company bills the A B Railroad Company for a proportion of actual expense of the train and crew, based on the mileage while on this company's tracks, against the mileage while on the A B Railroad tracks. What accounts should be credited with the amounts of bills so rendered?

Answer. Not a joint facility; credit appropriate primary accounts under Transportation Expenses.

CASE 287.

Query. To what account should be charged a railway's proportion of expenses of an association to protect the various railroads in litigation regarding patents upon mercantile devices used in the operation of locomotives or cars, the expenses of which are borne in proportion to the gross earnings of the companies composing the associations?

Answer. "Law Expenses" under General Expenses.

CASE 288.

Query. To what account should be charged rents paid to other companies for use of their stalls for housing our locomotives?

Answer. To "Enginehouse Expenses—Yard" or "Enginehouse Expenses—Road," as the case may be.

CASE 289.

Query. We pay the Y Z Company a specified amount per month for the use of a portion of their yards and tracks, and for another portion

an amount based on the number of cars handled over such tracks. We pay all expenses of maintaining the tracks, but they pay the taxes. Since the amount paid the Y Z Company is for rent, should not the same be debited by us to "Miscellaneous Income—Rent of Property?"

Answer. Charge to appropriate rent account under Income Account.

CASE 290.

Query. We collect from the X Y Company for use of tracks at G a monthly rent. This track is used by the X Y Company as an outlet for their freight trains through our yard at G. To what account should this rent be credited?

Answer. It should be handled through the appropriate joint-facilities account in Operating Expenses and Income Account. That portion of the charge which represents interest on valuation and taxes should be credited to rents in Income Account and that which is for maintenance and operation to the appropriate joint-facilities accounts in Operating Expenses. (See Case 272.)

CASE 291.

Query. We collect from a certain union station company a monthly rent for use of tracks in G from and to certain streets, same being about 600 feet in length. This track is used by lines entering the union station at G. To what account should this rent be credited?

Answer. See Case 290.

CASE 292.

Query. We collect from a Union Station Company for land in G a monthly rent, said land being covered by a part of the structure of the union station. To what account should this rent be credited?

Answer. To the appropriate rent account under Income Account.

CASE 293.

Query. We collect from a party for use of side track an annual rent. To what account should this rent be credited?

Answer. The inquiry implies that this side track is rented by a private individual, not a carrier, in which case the rent should be credited to revenue account No. 18, "Rents of Buildings and Other Property."

CASE 294.

Query. We pay to the A B Railway Company for rent of G terminal tracks a monthly rent, said track being used for transferring freight to

the A B Railway Company in G. To what account should this amount be charged?

Answer. Should be handled through the appropriate joint-facilities accounts in Operating Expenses and through rent account under Income Account. That portion representing interest on valuation and taxes should be charged to rents in Income Account and that which is for maintenance and operation to the appropriate joint-facilities accounts in Operating Expenses. (*See Case 272.*)

CASE 295.

Query. We pay to the X Y Railway Company for rent of 4 miles of main-line track at F a monthly rent, said track being used jointly by the X Y Company and our company on freight and passenger business in and out of F. The expense of maintaining said track is paid by the X Y Railway Company. To what account should this amount be charged?

Answer. If this payment includes cost of maintenance and operation, it should be divided by agreement and apportioned among the appropriate rent and joint-facilities operating expense accounts.

CASE 296.

Query. At various terminals on our railroad we rent to outside parties certain lands and buildings that have no connection with the operations of the road. To what account should these rents be credited?

Answer. To appropriate rent account under Income Account.

CASE 297.

(Answer not finally approved. *See Accounting Series Circular No. 12c.*)

CASE 298.

Query. What account should be charged with payments made to detective agencies for special services to railroad companies?

Answer. Payments for detecting thieves are provided for under "Loss and Damage—Freight," but all detective service is not of this nature. The nature of the service should determine the charge and its disposition should be to the account to which it is analogous.

CASE 299.

Query. Through what account should collections and refunds on account of switch keys be carried?

Answer. The classification is revised, so that switch keys may be charged to "Roadway Tools and Supplies," "Station Supplies and Expenses," "Yard Supplies and Expenses," "Other Supplies for Yard Locomotives," "Other Supplies for Road Locomotives," and "Train Supplies and Expenses," instead of to "Other Track Material," as formerly provided for.

See Supplement, effective on July 1, 1908, to the Classification of Operating Expenses for Steam Roads, Third Revised Issue.

CASE 300.

Query. I do not find that the Classification of Operating Expenses provides for payments to elevator companies for transferring grain, en route, from one car to another. We have charged this expense in our accounts to "Station Supplies and Expenses," as this account, in my opinion, should include this expense. Is the disposition of the matter as suggested above proper?

Answer. It should be charged to "Station Employees."

CASE 301.

Query. The railroad companies which are members of a railway clearing house, the purpose of which is to secure the proper distribution and use of freight-car equipment, are charged with expenses in connection with that association. To what accounts should these payments be charged by the railroad companies?

Answer. To "Weighing and Car-Service Associations."

CASE 302.

Query. This company keeps a separate or independent fund from which pensions are disbursed. A certain amount per month, making an annual total twelve times as great, is appropriated through the income account and credited directly to an open account, which is closed annually when the amount is paid over. The pension fund is invested in interest-bearing securities. Whenever pensions are paid the amounts are debited to an open account and about every quarter collected from the trustee of the fund. There are no expenses for administration or otherwise in connection therewith. Does the account "General Expenses—Pensions" apply?

Answer. Amounts paid as pensions are chargeable to "General Expenses—Pensions." (See Case 208.)

CASE 303.

Query. At a certain point the A B Railroad crosses the Y Z Terminal Transfer Railroad, and neither company makes use of the other com-

pany's tracks. The A B Railroad maintains and operates the interlocker and bills the other company for one-half of the expense. The Y Z Railroad has taken the stand on this matter and many other similar crossings that the interlocker expense was not a joint-facility item between their company and the railroad that it crosses, but that it should be treated as though each company had its own set of employees and devices for protecting the crossing. It has been considered further by the Y Z Railroad that their proportion of the expense of such interlockers was a joint-facility item only as between their company and its tenants. What ruling should apply?

Answer. See Case 272.

CASE 304.

Query. We recently paid a personal injury claim brought on account of defective highway within the location lines of this company. The parties to whom this claim was paid were not employees of this company, nor passengers; neither were they engaged in any work in connection with the railroad. To what account should be charged the amount so paid?

Answer. To "Injuries to Persons," under Maintenance of Way and Structures.

CASE 305.

Query. A railroad pays a municipal corporation a fixed amount per annum for fire protection, which consists of the corporation laying water pipes and placing fixtures and supplying water pressure at all times. Should this be charged to "Buildings, Fixtures," etc., or not?

Answer. Should be charged to "Buildings, Fixtures, and Grounds," under Maintenance of Way and Structures, if in connection with buildings alone. If for protection of other property, it should be charged to appropriate maintenance accounts according to nature of property protected.

CASE 306.

Query. We rent a certain piece of land and build upon it our own depot. To what account should the rent be charged?

Answer. To appropriate rent account under Income Account.

CASE 307.

Query. We have leased a certain tract of land to prevent a street from crossing our track at grade, this property not being used for any purpose except a side track on same and used as a blind. To what account should the rent be charged?

Answer. To appropriate rent account under Income Account.

CASE 308.

Query. The A & B road is joint owner with the C & D road of a side track jointly used, and the maintenance is borne by the two companies in the ratio of ownership. Each company takes up in its primary accounts its share of the maintenance charges on the theory that in reality such proportions are, respectively, merely the maintenance of the property of each. The A & B road for convenience pays the full cost of maintenance, charges its primary accounts, and credits the C & D proportion when billed out to the same accounts. Is this correct?

Answer. No. Should be treated as a joint facility. The A & B road should charge its primary accounts with full cost of maintenance and should credit the proportion billed against the C & D road to "Maintaining Joint Tracks, Yards, and Other Facilities—Cr." The C & D road in paying these bills should charge "Maintaining Joint Tracks, Yards, and Other Facilities—Dr." The question of ownership should not bear upon the proper disposition of accounts for jointly used properties. The fact of such joint use should determine their treatment in the accounts as joint facilities. The road maintaining and operating should be the one to charge the full cost of such work to its primary accounts.

CASE 309.

Query. Should not an account "Injuries to Persons" be provided under the Classification of Expenditures for Road and Equipment, which account should include the expenses incident to the construction of a new line which may properly be classed under this account?

Answer. Such an account is provided.

See Supplement, effective on July 1, 1908, to Classification of Expenditures for Road and Equipment, First Revised Issue.

CASE 310.

Query. It seems to us that if it is correct and practicable (and we think it is) to charge witness fees to the various accounts covering damage to property, it is equally so in the case of personal injuries, and that witness fees in connection with personal injury suits should be charged to the various personal injury accounts, rather than to "Law Expenses." May we do so?

Answer. Payments to and expenses of employees and others engaged as witnesses in personal injury cases should be charged to the "Injuries to Persons" accounts under the proper general accounts and the texts

under the several "Injuries to Persons" accounts are amplified in accordance with the foregoing.

See Supplement, effective on July 1, 1908, to Classification of Operating Expenses for Steam Roads, Third Revised Issue.

CASE 311.

Query. Should not a provision be made in the present Classification to take care of maintenance of machinery in bridges and buildings department—carpenter shops?

Answer. The text of Maintenance of Equipment account "Shop Machinery and Tools" is so amplified as to provide for the maintenance of machinery in shops of the bridges and buildings department so as to include all machinery and tools.

See Supplement, effective on July 1, 1908, to Classification of Operating Expenses for Steam Roads, Third Revised Issue.

CASE 312.

Query. How should the expenses of joint interlockers located at outlying points, and on stretches of joint tracks, be handled in the accounts?

Answer. See Case 272.

CASE 313.

Query. What account should be charged with the expense of draping stations along the line of the road? This expense has been charged to "General Expenses—Other Expenses," as we do not believe that "Transportation Expenses—Station Supplies and Expenses," is proper.

Answer. To "Other Expenses" under General Expenses.

CASE 314.

Query. (1) To what account should be charged amounts paid for personal injuries received by employees and others while line is in course of construction?

(2) To what account should be charged amounts paid for stock killed by construction trains?

(3) To what account should be charged amounts paid for damages caused by water overflow by reason of embankments, etc., incident to construction work?

Answer. (1) To account No. 35½, "Injuries to Persons."* (2) and (3) Should be included in cost of the work. Losses of the kind mentioned, incurred in connection with additions and betterments work,

should be charged to the cost of the work under the Classification of Expenditures for Additions and Betterments.

**See Supplement, effective on July 1, 1908, to the Classification of Expenditures for Road and Equipment for Steam Roads, First Revised Issue.*

CASE 315.

Query. The B railroad is in course of construction and desires to cross the A railroad with a double-track overhead bridge, the expense of construction being assumed by B, as well as the expense of any change that may occur in the line of A.

In order to properly locate the center pier of the overhead crossing of B on the right of way of A, it is necessary to shift to one side the telegraph line and one of the tracks belonging to A. Please advise to what account the expense incurred by the removal of the telegraph line and tracks of A should be charged in the accounts of B.

Answer. The cost of moving the tracks and telegraph line of another railroad to prepare a site for piers of a bridge on a line under construction should be charged to account No. 6, "Bridges, Trestles, and Culverts," in the Classification of Expenditures for Road and Equipment.

CASE 316.

Query. We have a road under construction and have been obliged to lay a number of temporary tracks which are now being partly or wholly taken up. The material from such tracks is given a certain fixed value. Should we charge to Operating Expenses the original cost less salvage and credit to construction the original cost of the tracks taken up, or should we credit to construction only the scrap value of the material taken from these tracks, leaving the balance of their cost as a charge against the construction account?

Answer. The cost of temporary tracks laid during construction of a new line should be charged to the appropriate accounts in the Classification of Expenditures for Road and Equipment, and the value of material removed therefrom credited, when removed, to the same accounts, thus leaving the remainder of the cost of such tracks charged to the appropriate primary accounts in that classification.

CASE 317.

Query. To what account should be charged expenditures in payment of damages either awarded by the courts or agreed upon out of court on account of washouts or overflow occasioned as a result of constructing new double track?

Answer. Charge to cost of constructing double track if that account be not closed, or to "Damage to Property," under Transportation Expenses, if the track has been accepted for operation.

CASE 318.

Query. Kindly advise whether account No. 41, "Work Equipment," or account No. 6, "Bridges, Trestles, and Culverts," in the Classification of Expenditures for Road and Equipment, is properly chargeable with the cost of a calyx drill and the boiler and engine used in connection with its operation? This drill is to be used in making test holes prior to the construction of a steel bridge.

Answer. If this drill and machinery are permanently mounted on a car the cost should be charged to account No. 41, "Work Equipment;" if not permanently mounted on a car and bought solely for use in connection with construction of bridges, the cost should be charged to account No. 6, "Bridges, Trestles, and Culverts," and the salvage, if sold, or the depreciated value, if retained for general use, credited to this account on the completion of the work. The depreciated value of these tools, when retained for general use as a part of the first outfit of a new road, should be charged to account No. 13, "Roadway Tools." If such tools, either when purchased new or when devoted to general use at the expiration of construction work on which they have been used, are not a part of the first outfit of tools for a new road or branch line the cost or value thereof should be charged to operating expenses account No. 18, "Roadway Tools and Supplies."

CASE 319.

(Answer not finally approved. See *Accounting Series Circular No. 12c.*)

CASE 320.

Query. The text of revenue account No. 2, "Passenger Revenue," states that "the account should be charged with amount paid for transferring passengers and baggage between depots, except in cases where the transfer of both passengers and baggage is provided for in the division of the through rate." Will you please advise correct interpretation of this clause?

Answer. The paragraph referred to provides for charging "Passenger Revenue" with amounts paid to local transfer agents or companies when the cost of the transfer is included in the rate and has been credited to "Passenger Revenue." The exception refers to instances when the cost of the transfer is provided for in the division of the through rate and credited directly to the transfer agency.

CASE 321.

(Canceled.)

CASE 322.

Query. Kindly advise whether the text of revenue account No. 9, "Switching Revenue," referring to the words "on the basis of tariffs," is intended to mean tariffs filed with the Commission, or is it intended that the account should include any revenue derived from a fixed or arbitrary charge for any switching movement whether published in tariffs or an agreement between two carriers who perform switching service for each other?

Answer. "Switching Revenue" should include any revenue derived from any switch movement at a fixed or arbitrary charge per car irrespective of whether the charge is made on basis of rates published in a tariff filed with the Commission or under an agreement between two carriers who perform switching service for each other.

See Supplement, effective on July 1, 1908, to the Classification of Operating Revenues, First Issue.

CASE 323.

(Canceled.)

CASE 324.

(Canceled.)

CASE 325.

Query. This company moved three special trains carrying soldiers, wagons, horses, grain, hay, and camp accouterments. Special rates were made per capita for the soldiers, per carload for the horses, and per hundredweight for the hay, grain, etc., based on carload and less than carload. What account should be credited with revenue earned?

Answer. Revenue account No. 10, "Special Service Train Revenue."

CASE 326.

(Answer not finally approved. *See Accounting Series Circular No. 12c.*)

CASE 327.

Query. The text of account No. 18, "Rents of Buildings and Other Property," reads in part as follows:

"This account includes a carrier's revenue from rents of buildings, land, and other property, such as depot and station grounds and buildings, union depot, etc., when such property is used in connection with operations and the expense of maintaining and operating it can not be separated from the expense of that portion used by the carrier."

Accounting Series Circular No. 14, relating to "Joint Facilities Accounts," provides in part as follows:

"For the purpose of these accounts union depot, bridge, and similar companies will be considered common carriers."

(a) Is there not a conflict in the separate instructions above mentioned?

(b) Am I correct in assuming that bills rendered by one carrier against another for rents of depots, station grounds, buildings, union depots, etc., should be treated by both the debtor and creditor carriers as joint facilities?

(c) Am I also correct in assuming that the instructions above quoted relating to revenue account No. 18, "Rents of Buildings and Other Property," applies only to rents collected by a carrier from individuals and companies *other than carriers* for use of property as enumerated in the text under conditions mentioned therein?

Answer. (a) No.

(b) Yes; if used jointly.

(c) Revenue account No. 18, "Rent of Buildings and Other Property," may include rents collected from another carrier when the property is not used as a joint facility; also rents from firms and individuals under conditions enumerated in the text of that account.

CASE 328.

Query. To what account should be credited the difference between the value of special-admission amusement coupons issued in connection with transportation and the amount paid on the basis of actual collection?

Answer. Revenue account No. 19, "Miscellaneous."

CASE 329.

Query. We participate in the payment of a deficit in the operation of the Union Station. This station makes a small amount of independent earnings. Should we not credit revenue account No. 19 with our proportion of the revenue of the Union Station and charge our joint-facilities accounts with our full proportion of the station's expenses?

Answer. The Supplement, effective on July 1, 1908, to the Classification of Operating Revenues, First Issue, provides a new primary account entitled "Joint Facilities Revenue—Cr.," to which should be credited a carrier's proportion of revenues from joint facilities operated by other carriers, including Union Station companies. The full amount of the proportion of expenses of such joint-facilities borne by a carrier should be charged by it to the appropriate joint-facilities operating expense accounts.

CASE 330.

Query. Our general manager and general superintendent have direct supervision over three departments; namely, Maintenance of Way and Structures, Maintenance of Equipment, and Transportation. Should their salaries and expenses be prorated to the departments benefited or charge to "Transportation Expenses—Superintendence?"

Answer. Salary and expenses should be divided equally and charged to "Superintendence" under the general accounts for the several departments.

CASE 331.

Query. We employed a detective agency to discover the person who placed an obstruction on our tracks with the evident intent of wrecking a passenger train, as a result of which a section hand car was derailed and a man killed. I am at a loss to know to what account this expense should be charged.

Answer. It should be charged to "Superintendence" under Transportation Expenses.

CASE 332.

Query. It has been our custom for several years past to charge a certain amount each month to Rails and Ties, crediting the amount so charged to special Rail and Tie accounts, and when purchases were made same were charged to these special accounts.

In case we are unable to purchase ties and rails as fast as we would like, thereby leaving on our books the special accounts referred to unexpended, will we be permitted to carry these special accounts over into another year to be available for ties and rails when they can be bought?

Answer. Attention is directed to Note B under accounts "Ties" and "Rails" (Maintenance of Way and Structures, Classification of Operating Expenses, Third Revised Issue), and answer to Case 32. Carriers are authorized to charge off depreciation on way and structures in the answer to Case 40.

CASE 333.

Query. If we should buy a quantity of ties during the current month to be used for replacement during the next five or six months, should the amount expended for same be included in the current report of expenses or should it be distributed in proportion to the per cent of material used during the various months; and in the event this invoice was not paid until the following month, in what month should it be included for report of expenses?

Answer. Expenses should be charged in the month in which they occur. In the case of material the expense occurs when the material is applied and not when it is purchased. Exception to this general rule is made in the case of rails and ties, which may be apportioned over the several months of the fiscal year, the total charge being in every case equal to the total expense of the material actually applied.

Material purchased not for immediate use should be carried in appropriate stock accounts until used.

CASE 334.

Query. Referring to Note B under captions "Rails" and "Ties," my understanding of these notes is that the apportionment of rail and tie renewals by months is left to the discretion of carriers. There are practically no rail and tie renewals during the first two months on this company's lines, and it has been the custom to prorate the estimated renewals over the remaining ten months. Is this permissible?

Answer. There are no objections to the plan proposed.

CASE 335.

Query. In the case of a renewal of a bridge July 1, 1907, the original cost of which was \$10,000 and the cost of renewing \$12,000, should we charge the \$10,000 to a ledger account "Depreciation prior to July 1, 1907," or is it a proper charge to current operating expenses?

Answer. Charge to operating expenses.

See paragraph 5 of General Instructions in Classification of Expenditures for Additions and Betterments.

CASE 336.

Query. We expended a considerable amount of money in the removal of brasses from cars stored in hazardous locations to prevent the loss of brasses by theft. Should the charge be made to "Other Expenses" under Maintenance of Equipment?

Answer. To the proper car repairs account under Maintenance of Equipment.

CASE 337.

(Answer not finally approved. *See Accounting Series Circular No. 12c.*)

CASE 338.

(Answer not finally approved. *See Accounting Series Circular No. 12c.*)

CASE 339.

Query. Should depreciation, repairs, or operation of steam wrecking derricks be charged to Maintenance of Way and Structures when they are not used or manned by that department or employed upon any work within its jurisdiction?

Answer. Repairs, renewals, and depreciation of steam wrecking derricks should be charged to "Work Equipment—Repairs," "Work Equipment—Renewals," and "Work Equipment—Depreciation," respectively, regardless of the class of work in which such derricks may be engaged. The Supplement, effective on July 1, 1908, to the Classification of Operating Expenses, Third Revised Issue, provides for the transfer of these three accounts from Maintenance of Way and Structures to Maintenance of Equipment.

Expenses of operating this class of equipment should be included in the cost of the work in which it may be engaged.

CASE 340.

Query. To what account should be charged the cost of car seals used in securing freight cars?

Answer. To Material account when purchased; to "Station Supplies and Expenses," when issued.

CASE 341.

Query. There is considerable expense in connection with revenue derived from storage on baggage, such as printing storage tags and labor in stamping thereon date of arrival and date storage commences. Should these items be charged to account No. 15 "Storage—Baggage;" if not, what account is chargeable?

Answer. Printing storage tags is chargeable to "Stationery and Printing" under Transportation Expenses. Labor in baggage storage rooms at stations is chargeable to "Station Employees."

CASE 342.

(Answer not finally approved. *See Accounting Series Circular No. 12c.*)

CASE 343.

(Answer not finally approved. *See Accounting Series Circular No. 12c.*)

CASE 344.

(Answer not finally approved. *See Accounting Series Circular No. 12c.*)

CASE 345.

Query. Please advise if rent of offices occupied by the legal department should be charged to "Law Expenses."

Answer. Yes. (See Case 35.)

CASE 346.

(Answer not finally approved. See *Accounting Series Circular No. 12c.*)

CASE 347.

Query. A pay check forwarded to a laborer in an extra maintenance of track gang was taken out of the mail by another party who forged the signature and collected the money. The laborer made a demand for payment and a duplicate pay check was forwarded to him. Please advise to what account the loss should be charged.

Answer. To "Other Expenses" under General Expenses.

CASE 348.

Query. Depreciation charges on locomotives and passenger cars of this company have hitherto been made at a monthly division of one-twelfth of 10 per cent per annum of the original cost. In the opinion of the present management this is altogether too high, local conditions and mileage considered. It is asked whether, pending investigation as to the rate of wear and tear on equipment of roads of similar conditions, it is proper that no charge be made for depreciation until proper statistics for an intelligent computation can be obtained, the excess, if any, to be charged later this fiscal year?

Answer. This office can not modify the provisions of an order of the Commission regarding the depreciation charges to be set up. No definite percentage has been fixed for this purpose, that matter being left to the discretion of the carrier until such time as this office is prepared to recommend a specific rate.

CASE 349.

(Canceled.)

CASE 350.

(Canceled.)

CASE 351.

(Answer not finally approved. See *Accounting Series Circular No. 12c.*)

CASE 352.

Query. We have two box cars standing in our Equipment account at the salvage value only. One of the departments of the road desired the bodies of the cars to be used as bunk houses for laborers, and after making this disposition of the bodies the trucks were put in service of our maintenance of way department for wrecking purposes. Should the value of the cars be credited to Replacement of Equipment?

Answer. Charge each department with its proportion of the salvage value of the whole car, and credit the same to "Replacement" account. The "Replacement" account should then be cleared as provided for in the text of account No. 33, "Equipment," in the Classification of Expenditures for Additions and Betterments."

CASE 353.

Query. Under each of the Equipment—Repairs accounts may be found the following text:

"The value of old material released during repairs, insurance recovered, and repayments from other roads should be credited to this account."

It might be inferred from the words "insurance recovered" that all equipment insurance should be so treated. Is it not a fact, however, that in case of the total destruction of equipment any amount recovered from insurance should be credited to Replacement accounts through the medium of Equipment Renewals while the insurance for partial damages should be credited to repairs?

Answer. The text of Repairs accounts refers to insurance recovered on equipment repaired and returned to service. Insurance recovered on equipment totally destroyed should be credited to Replacement accounts.

CASE 354.

(Answer not finally approved. See *Accounting Series Circular No. 12c.*)

CASE 355.

(Answer not finally approved. See *Accounting Series Circular No. 12c.*)

CASE 356.

(Answer not finally approved. See *Accounting Series Circular No. 12c.*)

CASE 357.

Query. The A & B Railroad makes a bill against the C & D Railroad for water furnished from a standpipe located between our two tracks based on an arbitrary charge of \$22.50 per month. Should not this amount be charged to water supply for locomotives?

Answer. Should be charged to or apportioned between accounts No. 74, "Water for Yard Locomotives," and No. 83, "Water for Road Locomotives," as the case may be.

CASE 358.

Query. The A & B Railroad pays for water through a certain standpipe at the rate of so much a year, and the amount so paid is charged to the primary account "Water for Road Locomotives." An arrangement is made whereby the X Y Railroad has the privilege of using water from the same standpipe at a fixed sum per annum. To what account should the A & B Railroad credit its bill against the X Y Railroad for water taken by the latter?

Answer. Credit to "Water for Road Locomotives." (See Case 357.)

CASE 359.

Query. The A & B Railway Company employs street watchmen to guard street crossings for the safety of vehicles, which expense is charged to "Crossing Flagmen and Gatemen." The expense is prorated among three lines operating over the yards where these flagmen are employed. Should the amounts received be credited to "Operating Joint Yards and Terminals—Cr.?"

Answer. Yes. Such men are employed in connection with the operation of a joint facility.

CASE 360.

Query. The A & B Railroad Company has a drawbridge over a bayou for the operation of which they employ bridge men, the expense being prorated among four railroads. Should the compensation received from the roads be credited to "Operating Joint Yards and Terminals?"

Answer. If the bridge is in a yard, credit "Operating Joint Yards and Terminals—Cr.;" if on road, credit "Operating Joint Tracks and Facilities—Cr."

CASE 361 (amended).

Query. Referring to the accounts under Transportation Expenses, "Operating Joint Yards and Terminals," and "Operating Joint Tracks:"

(a) Should all debits and credits to the first-named account be confined to cost of operating joint yards, terminals, and other facilities located at terminals or within the yard limits of terminals only?

(b) In the case of interlocking plants, station buildings, etc., owned jointly by two or more carriers and operated by one for the benefit of all, I would like to inquire if it is proper to treat such expenses as joint facilities, bearing in mind the fact that Accounting Series Circular No. 14 provides only for facilities owned by one carrier and regularly operated jointly for the benefit of one or more carriers?

Answer. (a) Yes. (b) The ownership of a facility jointly used does not affect the manner of accounting as between the operating and tenant companies.

See amended text of the accounts named in Supplement, effective on July 1, 1908, to the Classification of Operating Expenses for Steam Roads, Third Revised Issue.

CASE 362.

Query. This company runs its passenger trains over 6 miles of the X. Y. Z. Railway Company's tracks, for which privilege we pay a certain percentage of our passenger earnings. To what account should we charge this payment?

Answer. If this payment constitutes the entire compensation for the use of the track, the case is one of joint facilities and the compensation should be apportioned among the appropriate joint-facilities operating expense accounts, and rents under Income Account. (*See Case 371.*)

CASE 363.

Query. To what account should be credited our bill against another line for its proportion of a joint through-train service?

Answer. Not a joint facility. Should be credited to the proper primary accounts. (*See Case 286.*)

CASE 364.

Query. This company has an arrangement with other lines whereby we allow them trackage rights within a certain district, and this company receives as compensation a fixed charge per car, based on published tariffs. This charge is apportioned to Joint Maintenance, Operating, and Income accounts, and the division is based upon estimates and available statistics for previous years.

What account should be credited for an amount billed against one of these tenants for an accident damaging our tracks and some of the equipment of other carriers resting upon our tracks, and an amount paid to one of our employees in settlement of personal injury occasioned by such accident, it being understood that the railroad causing an accident shall pay the expenses incidental thereto, over and above the amount they pay us for trackage?

What account should be credited providing the tenant line was chargeable with but 50 per cent of the expense because of the joint liability of this company?

Answer. The amount billed should be credited to the accounts which bore the original charges covering the expenses occasioned by the accident. This means that your primary accounts are treated as clearing accounts to the extent of the adjustment between yourself and the tenant carrier.

CASE 365.

Query. We have included under heading "Revenue from Operations Other Than Transportation," revenue derived from rent of a section of our road and interest on bank deposits. Will you kindly advise me if these amounts are properly shown?

Answer. Both items mentioned should be carried directly to Income Account, neither rent of tracks nor interest on bank deposits being a proper credit to Revenue. We assume the rented section of the road is not operated jointly.

CASE 366.

(Answer not finally approved. See *Accounting Series Circular No. 12c*).

CASE 367.

(Answer not finally approved. See *Accounting Series Circular No. 12c*).

CASE 368.

Query. The A B Railroad Company hires locomotives for the operation of its yards. The cost is charged to "Hire of Equipment" and prorated according to the number of cars handled among three lines for which we perform switching service. Should these amounts received be credited to "Hire of Equipment" account?

Answer. Yes.

CASE 369.

Query. To what account should we charge the cost of wharfinger license; i. e., license from the city for doing business over the wharf?

Answer. This charge appears to be analogous to rent and should be treated as an income charge.

CASE 370.

Query. Kindly advise to what account we should charge the amount paid for lease of ground to be used as a roadway to sidetrack on our main line at a point where we have no station.

Answer. Should be charged to appropriate rent account under Income Account.

CASE 371.

Query. I hand you copy of bill rendered against this company by the A B C Railway for proportion of expenses at a terminal. You will note this company is charged one-third based on salaries and supplies. The A B C Company seems to be of the opinion that the distribution should be—

	Per cent.
Maintaining joint tracks, yards, and other facilities.....	10
Operating joint yards and terminals.....	25
Income account rent.....	65

We can not see how any portion of the expense can be considered "Rent," as it is based on salaries and supplies. No copy of the agreement can be located, and we refer the matter to you for decision as to the proper distribution to apply.

Answer. If the A B C Railway owns the property operated jointly, it would be proper to distribute a proportion of the amount charged to Rents, if the amount is in excess of the cost of operation.

CASE 372.

Query. The A & B Railroad has an agreement with the C & D Railroad by which the former uses the tracks of the latter between two points, paying therefor a rent based upon valuation, and also a proportion of maintenance and operating expenses based upon wheelage.

(a) The A & B honors on its trains between the points mentioned tickets sold by the C & D and collects from the C & D 40 per cent of the value of such tickets. How should each road take this into account?

(b) The A & B collects cash fares on its trains between the points mentioned and pays the C & D 60 per cent of such collections. How should each road take this into account?

(c) The C & D honors on its trains between the points mentioned tickets sold by the A & B and the A & B pays the C & D therefor the full local rate collected. How should each road take this into account?

Answer. (a) The A & B should credit the full price of the ticket to its "Passenger Revenue" account and should charge 60 per cent of the same to "Rents Paid;" the C & D should credit the 60 per cent proportion to "Rents Received."

(b) The A & B should charge to "Rents Paid" and the C & D should credit to "Rents Received" the 60 per cent payment.

(c) The A & B should charge and the C & D credit "Passenger Revenue" the full price of the tickets.

CASE 373.

Query. Should a proportion of the expenses of the store and purchasing department pertaining to materials passed through the storehouse and used for addition and betterment work be charged to Additions and Betterments? If so, is this not in conflict with explanatory note in Circular 11 regarding engineering expenses?

Answer. Note C, page 85, and the explanatory note on page 58, in the *Classification of Operating Expenses*, Third Revised Issue, indicate that a portion of the expenses of store and purchasing department should be charged on account of all material issued, and would therefore include material for additions and betterments. The rule laid down in explanatory note on engineering expenses in *Accounting Series Circular No. 11* does not conflict with the above interpretation.

CASES 374, 375, AND 376.

(Answers not finally approved. See *Accounting Series Circular No. 12c.*)

CASE 377.

Query. Referring to *Accounting Series Circular No. 11*, accounts Nos. 11 and 12, we wish to inquire if "terminal yards" includes terminals for passenger trains as well as terminals for freight trains? Do terminal yards include all junction points of company's branch lines as well as yards at junction points with other railroads, whether such junction points are the end of the division or are points on the road between train terminals? Should all unloading tracks, freight-house tracks, and other tracks for local business at terminals be included under terminal yards or under siding and spur tracks?

Answer. Terminal yards, strictly speaking, are yards maintained for switching purposes at division terminals. Small yards at the junction of main and branch lines, or at the junction of other railways, may thus be terminal yards so far as the branch or junction line is concerned, provided the yard is at the terminus of the branch or junction line. Terminal yards are in a measure distinct as a class by being not directly or wholly required by the local conditions of traffic, but for the switching of through trains or the handling of cars which must necessarily be switched but which do not originate at the point switched.

Sidings and spur tracks should include all freight-house tracks, team tracks, passing tracks, or tracks upon which freight is unloaded, such as tracks to elevators, industries, mines, or other places which are used for a direct delivery of freight.

CASES 378 AND 379.

(Answers not finally approved. See *Accounting Series Circular No. 12c.*)

CASE 380.

Query. Will you kindly advise the proper account to be credited with \$3,000 received by a carrier for the surrender of an unexpired lease for offices occupied by it?

Answer. Should be credited to Profit and Loss.

CASE 381.

Query. Please advise how engine mileage should be classed for service performed by one of our locomotives furnished, with crews and supplies, to individuals on a per diem basis, all the mileage being made on our line while in such service.

Answer. If the "individual" is not a common carrier reporting to the Commission, the mileage made by the locomotive should be disregarded.

CASE 382.

Query. Owing to certain of our freight yards becoming congested we find it necessary to deliver cars at another point temporarily. Movement is made by special train and distance involved is 1 to 3 miles. Should the movement be included with freight-train miles or considered a switching or yard movement of which no wheelage report would be made other than for the locomotive?

Answer. Mileage should be considered merely as switching or yard movement.

CASE 383.

Query. A lumber company's log train uses our line for a distance of 40 miles between their lumber camp and mill. The equipment is owned by the lumber company and is operated by their employees, although, while on our line, the trains are under orders of our dispatcher. We receive revenue for this service on a mileage basis. Should this mileage be taken into our statistics, and if so, under what class of mileage should it be shown?

Answer. No mileage should be taken into your statistics, even though the trains are under the order of your dispatcher.

CASE 384.

Query. The distribution of the cost of fuel, stores, and other supplies for engines and yard service, which should be made upon the basis of mileage of work locomotives, is deferred until the month following that in which the expense is incurred, as we do not get our distribution of work-locomotive mileage until the succeeding month. Is this permissible?

Answer. No.

CASE 385.

(Answer not finally approved. See *Accounting Series Circular No. 12c.*)

CASE 386.

(Answer not finally approved. See *Accounting Series Circular No. 12c.*)

CASE 387.

Query. To what account should be charged commissions paid to ticket agents in lieu of salary?

Answer. The same account to which the salary would be charged. (See Case 64.)

CASE 388.

Query. Concrete mixers are provided for under "Work Equipment," in the Classification of Expenditures for Road and Equipment, First Revised Issue. Does that account cover a mixer mounted on a car?

No reference being made to concrete mixers in the Classification of Operating Expenses, is it correct to assume that the cost of a concrete mixer not mounted on a car should be charged to "Roadway Tools and Supplies?"

Answer. The account "Work Equipment," in the Classification of Expenditures for Road and Equipment, should be charged only with cost of concrete mixers permanently mounted on cars. When not so mounted, and when chargeable to "Expenditures for Road and Equipment," the cost of concrete mixers should be included in the cost of the work on which they are used. If retained for use in the operation of the road, the fairly appraised value of the mixers may be charged to account No. 13, "Roadway Tools."

If concrete mixers are not part of the first outfit of tools for a new road or branch line, or purchased for specific additions and betterments work, it is proper to charge the cost thereof to account No. 18, "Roadway Tools and Supplies," in the Classification of Operating Expenses.

CASE 389.

Query. In Case 137 it appears that floating equipment must be in revenue service to have cost of operation classified as "Operating Floating Equipment" under Transportation Expenses.

To what account should be charged the expense of operating a launch used for inspection of bridges and to transport officials to and from various properties of a railroad company along the water front?

Answer. If the launch is used in connection with rail operations, the expenses are similar to the expenses of special cars for officials and should be disposed of in a similar manner.

CASE 390.

(Answer not finally approved. See *Accounting Series Circular No. 12c.*)

CASE 391.

Query. Should front-end paint applied to locomotives be charged to "Enginehouse Expenses"—yard or road, as the case may be—or to "Steam Locomotive—Repairs?"

This paint is applied to the front end of locomotives to prevent rust and improve their appearance. It is applied by enginehouse employees when engines are in for cleaning, etc., as indicated under account "Enginehouse Expenses." It is contended that the cost is chargeable to Maintenance rather than to Transportation Expenses.

Answer. Front-end paint applied to locomotives should be charged to "Enginehouse Expenses."

CASE 392.

Query. Owing to the opening under a bridge not being sufficiently large, lands upstream have been inundated and claim for damages has been made on that account.

A strict wording of the "Damage to Property" account justifies charging the damages to that account. This interpretation is not acceptable, as the "Damage to Property" account is one of the "Transportation Expenses," accounts and the payment in the case cited would have absolutely nothing to do with conducting transportation.

Answer. Should be charged to account No. 101, "Damage to Property." (See Cases 38, 314, and 317.)

CASE 393.

Query. The contract between this company and the A B Railway, under which we use the terminals of the A B Railway at X, provides

for the furnishing of sundry material and supplies required for the repairs of this company's equipment in the A B Railway Company's shops which are joint facility. A large portion of the issues for this purpose are from the exclusive storehouse of the A B Railway. What accounts should be credited and charged by the respective companies?

In this connection kindly advise the correct accounts to be credited and charged by the respective companies with the labor cost of repairs to this company's equipment in the joint shops. It has been our practice to make direct charges to our operating expense accounts as far as it is possible to identify such charges.

There are certain general expenses in connection with the operation of the joint shops which can not be apportioned direct to the work done, and it is provided in the contract that such expenses shall be apportioned between the two companies on basis of the relative value of the work performed for the respective companies. Should the amount of such expense be credited by the lessor company to "Maintaining Joint Equipment at Terminals" and charged to corresponding account by the lessee? There is no direct charge against the joint yard for repairs to equipment, as such repairs are taken care of in the rental charge.

Answer. The cost of repairing road equipment should be assessed directly against the road benefited, as it is not a joint facility.

The text of "Clearing Account—Shop Expenses" on page 55 of the Classification of Operating Expenses, gives full directions for charging out undistributed expenses.

CASE 394.

Query. In various contracts between this company and other companies for use of joint facilities, it is provided that certain percentages shall be added to material charges, and in some cases to labor charges. The amount added to material charges is sometimes specified as storehouse expense, and in other cases it is probably to cover profit. The additions to labor charges are sometimes specified as covering superintendence and sometimes profit. These additions appear in various places throughout the bills rendered by the lessor company.

Kindly advise to what account the lessor company should credit the amounts received from these sources, and also the account that should be debited by the lessee company.

Answer. The lessor should credit the appropriate joint-facilities operating expense accounts; the lessee should charge the corresponding accounts. (See Case 246.)

CASE 395.

Query. This company has several contracts with other companies for the use of tracks and other joint facilities. These contracts, in several instances, provide that supplies and the material used for repairs shall be charged at invoice prices plus freight charges. The freight charges cover transportation of the material over the railroad of the lessor company.

What accounts should be credited and charged with the amount of these freight charges by the respective companies?

Answer. Bills rendered by an operating road to tenant companies for their proportion of the cost of maintenance should include a proper proportion of freight charges, and the entire amount of such bills for maintenance should be credited and charged by the roads in interest to "Maintaining Joint Tracks, Yards, and Other Facilities" accounts. No charges should be made to the operating expense accounts of the company maintaining such facilities for its own proportion of such freight charges.

CASE 396.

Query. Please advise disposition of damages paid on account of injury to a horse through catching its heel caulk in a crossing plank. This was manifestly a Maintenance of Way item, and charged by us to that account under "Other Expenses."

Answer. Charge to account No. 102 "Damage to Stock on Right of Way."

CASE 397.

Query. To what account should be charged rent of offices occupied by the advertising department?

To what account should be charged rent of offices occupied by the superintendent of telegraph?

Answer. Rent of offices used by the advertising department should be charged to "Traffic Expenses—Advertising."

Rent of offices used by the superintendent of telegraph should be charged in accordance with Note A under account No. 14, "telegraph and Telephone Lines," when his services are devoted both to the operation and the maintenance of telegraph and telephone lines.

CASE 398.

(Answer not finally approved. See *Accounting Series Circular No. 12c.*)

CASE 399.

Query. The A B Railroad renders a bill against the C D Railroad for cost of repairs to an engine of the A B Railroad damaged on account of defective track of the C D Railroad. The A B Railroad credits its bill to "Steam Locomotives—Repairs."

Should the C D Railroad charge the amount of the bill to "Other Expenses" under Maintenance of Way and Structures?

Answer. The C D Railroad should charge to account No. 101, "Damage to Property," and the A B Railroad should credit to account No. 25, "Steam Locomotives—Repairs."

CASE 400.

(Answer not finally approved. See *Accounting Series Circular No. 12c.*)

CASE 401.

Query. We have a case where an arbitration committee has awarded a suspended switchman his regular wages during suspension. To what account should the amount paid the suspended employee be charged?

Answer. To "Other Expenses" under Transportation Expenses.

CASE 402.

Query. Our mechanical department has made a bill against the fuel department for labor, consisting of the time of hostlers and hostler helpers used in pulling down pockets of coal chutes, raking coal from them into engine tenders, and trimming the tenders when engines take coal; also for the labor of moving small dump cars at certain chutes and trimming the tenders. Please advise whether the fuel department should be charged with this expense, or should it be charged to "Enginehouse Expenses—Road."

Answer. It should be charged to account No. 73, "Fuel for Yard Locomotives," or to No. 82, "Fuel for Road Locomotives," as the case may be.

CASE 403.

Query. To what account should be charged expense of placing rail rests along the line? These are notched posts for the support of one or two lengths of rail to be used in emergency. The number of rests to be erected is not sufficient to warrant classing as additions or betterments.

Answer. When chargeable to "Operating Expenses" the cost of such rests should be charged to account No. 6, "Roadway and Track."

CASE 404.

Query. The A B Railroad has among others the following officers: superintendent of maintenance of way and structures, superintendent of motive power, vice-president in charge of traffic, and superintendent of transportation.

As this company considers these officers general officers, and as they occupy space in our general office building which we rent, should we charge the entire rent of such office building to "General Office Supplies and Expenses" or should it be apportioned among the various departments occupying the offices?

Answer. The text of account "General Office Supplies and Expenses" is intended to provide for charging to that account rent and repairs of general offices used by the general officers enumerated in account "Salaries and Expenses of General Officers."

When the general offices of a carrier are occupied by officers other than general officers enumerated in the accounts under General Expenses, the expenses should be apportioned to the departments benefited.

CASE 405.

Query. This company pays annually to the A B Railroad \$1 for rent of 76 feet of track which connects our track with a division of the A B Railroad.

It is our understanding that this \$1 should be charged to "Operating Joint Tracks" under Transportation Expenses, as shown on page 84 of the Third Revised Issue of Classification of Operating Expenses. Is this correct?

Answer. The information contained in your query indicates that the payment should be charged to rent, under Income Account.

CASE 406.

Query. To what account should be charged amounts paid as rents for driveways at stations?

Answer. Should be charged to an appropriate rent account under Income Account.

CASES 407 AND 408.

(Answers not finally approved. See *Accounting Series Circular No. 12c.*)

CASE 409.

Query. The contract between this company and the A B Railroad provides that the expense of operating a certain roundhouse shall be

divided upon the basis of the number of engines handled. This expense has therefore been apportioned to the A B Railroad, this company, and the C yard upon the basis of the number of engines handled for each party.

The amount accruing to the C yard has been divided between the A B Railroad and this company upon the same basis used for the division of other joint yard expenses, the amount being credited by the A B Railroad to "Operating Joint Yards and Terminals—Cr.," and charged by this company to "Operating Joint Yards and Terminals—Dr." The proportion accruing to this company has been charged to operating expense account, "Enginehouse Expenses—Road."

Is this distribution correct, or should the entire amount be credited by the A B Railroad to "Operating Joint Yards and Terminals—Cr." and charged by this company to "Operating Joint Yards and Terminals—Dr.?"

Answer. The operating company in this case should charge its primary accounts with all the operating cost of this roundhouse and credit amounts billed against other companies to the appropriate joint-facilities accounts, and the debtor company should charge the corresponding joint-facilities accounts.

CASE 410.

Query. The contract between this company and the A B Railroad provides that passenger-train cars shall be cleaned, watered, iced, coaled, and provided with oil or gas for lighting purposes, and the expense thereof shall be settled for monthly on the basis of cost of service rendered and supplies furnished.

Kindly advise the accounts to which this expense should be credited and charged by the respective companies, also in what manner oil used for oiling cars should be accounted for, said oil being charged on the basis of the number of cars oiled; it being estimated that a certain quantity of oil will be sufficient to oil a specified number of cars.

Answer. Under the circumstances described, the operating company should bill the other company for the cost of supplies furnished and labor expended, and the amounts of such bills should be credited, or debited, as the case may be, to the appropriate primary accounts. The services outlined do not constitute a joint facility, although the work may be done at a terminal or yard operated as a joint facility.

CASE 411.

Query. The contract between this company and the A B Railroad provides for the joint operation of a fuel station in a yard. In this

structure separate bins are provided, and each company furnishes its own coal delivered in cars at the coal station. The coal used by the yard engines is furnished from the A B Railroad's supply, charge being made against the joint yard for such issues.

The expense of operating this fuel station is apportioned on the basis of coal issued to the road engines of the two companies and that issued to the yard engines. It has been customary, heretofore, to charge a proportion of the cost of operating the fuel station to the joint yard, and divide this proportion on the same basis as other joint-yard expenses are divided. A direct charge is then made to Operating Expenses, "Fuel for Road Locomotives," of the amount representing issues to our road engines.

Please advise if this distribution is correct, or should the entire expense of operating this joint fuel station be charged to account "Operating Joint Yards and Terminals—Dr." and corresponding credit made by the A B Railroad?

Answer. It appears from your statement that this fuel station is a joint facility and that the maintenance thereof should be handled through the joint-facility accounts; but the cost of the fuel, including the cost of handling, should be charged directly to the primary accounts of each road.

CASE 412.

Query. The contract between this company and the A B Railroad, under which this company uses the terminals of the A B Railroad at Y, provides for furnishing material and supplies required for use in the operation of this company's line extending south from Y, as it may be more convenient to obtain such material from that source than from this company's storehouses located at points on our line.

Under this arrangement we secure material and supplies for use on our road engines and on our trains. The storehouse referred to is not included in the schedule as a joint structure. It has been our practice to make direct charge to our operating expense accounts for the material and supplies issued from the above storehouse.

Is this distribution correct, and if not correct, what accounts should be credited and charged by the respective companies?

Answer. Should be charged, or credited, to the appropriate primary operating expense accounts.

CASE 413.

Query. The Supplement, effective on July 1, 1908, to the Classification of Operating Expenses issued by the Interstate Commerce Commission on July 1, 1907, eliminates from the "Work Equipment—Re-

pairs" account "also cost of repairing commercial cars and locomotives when assigned to and in maintenance of way service."

We do not find that any provision has been made under the accounts "Steam Locomotives—Repairs" and "Freight-Train Cars—Repairs" for distributing this expense. Was it intended to charge such repairs to the work on which the equipment was engaged?

Answer. The cost of repairing commercial cars and locomotives under Classification of Operating Expenses, as amended by the Supplement, effective on July 1, 1908, is to be included in the appropriate accounts under Maintenance of Equipment regardless of whether such cars and locomotives are assigned to maintenance of way service or commercial service, and repairs to equipment in such service should not be charged to the work on which the equipment is engaged.

CASE 414.

Query. This company operates two freight houses at our terminal and furnishes all the facilities and labor for handling merchandise shipments for our tenant lines. Their proportion is more than two-thirds of the business handled. We charge them for this service so much per ton. A monthly bill is rendered for part of the expense, and part is collected by our local agent.

To what account should the amount collected by bill and the amount collected by local agent be credited?

Answer. The portion of the charge representing maintenance and operation should be credited to the appropriate joint-facilities accounts in Operating Expenses; that portion representing payment for the use of capital and for taxes should be credited to an appropriate rent account under Income Account.

CASE 415.

Query. The freight cars for equipping our railroad were purchased principally in X and were loaded out to Y with freight. Some of the cars were diverted and held off our line for several months.

What construction account should be credited with the receipts from the hire of these cars?

Answer. The question indicates that the equipment is intended for use on a road under construction and not opened for regular traffic. If so, it is proper to credit the receipts to account No. 35, "Earnings and Operating Expenses During Construction," in the Classification of Expenditures for Road and Equipment. If the road has been regularly opened for traffic, the amounts should be credited to "Hire of Equipment" in Income Account.

CASE 416.

Query. A certain wharf company with switching facilities rents us an engine and switching crew at a rate per hour. This switching is performed for us because our regular crew is not able to take care of all our business. The engine is used only at certain hours on certain days during the month, and, as above stated, is paid for at a rate per hour.

To what account should we charge this expense?

Answer. The amount paid should be divided into two portions: one portion being distributed to the proper primary accounts under Operating Expenses to cover the services of the crew and any engine supplies that may be included in the payment, and the other portion being charged to "Hire of Equipment" for use of the engine.

CASES 417 TO 421, INCLUSIVE.

(Answers not finally approved. See *Accounting Series Circular No. 12c.*)

CASE 422.

(Canceled.)

CASES 423 TO 442, INCLUSIVE.

(Answers not finally approved. See *Accounting Series Circular No. 12c.*)

CASE 443.

Query. A question has been raised in regard to the distribution of the pay of "rock watchmen." This appears to be covered by the present Classification of Operating Expenses under the head of "Roadway and Track." The maintenance of way department, however, points out that these men have nothing whatever to do with strictly maintenance work such as repairs, etc., but are concerned solely in the operation of trains, the same as a flagman at a grade crossing.

To what account should the pay of these rock watchmen be charged?

Answer. To "Roadway and Track," under Maintenance of Way and Structures.

CASE 444.

(Answer not finally approved. See *Accounting Series Circular No. 12c.*)

CASE 445.

Query. Trainmen, enginemen, and yardmen are occasionally summoned to the office of a division superintendent to attend an investi-

gation in an endeavor to place responsibility for accidents on the line of road.

To what account should their wages be charged?

Answer. To account No. 61, "Superintendence" under Transportation Expenses.

CASE 446.

(Answer not finally approved. See *Accounting Series Circular No. 12c.*)

CASE 447.

Query. To what account should be charged the wages of trackmen engaged in unloading coal to be used for heating purposes in stations where no regular station laborers are employed?

Answer. To "Station Supplies and Expenses" under Transportation Expenses.

CASE 448.

Query. To what account should be charged amounts paid as fees to directors for attending meetings?

Answer. To "Other Expenses" under General Expenses.

CASE 449.

Query. Ballast cars, engaged in transporting granite dust to be used in paving around stations, buildings, etc., become leaky and the foreman in charge of the train purchases baled hay to be used in stopping the leaks.

To what should the cost of the hay be charged?

Answer. Such expenses should be considered as a part of the cost of the material, and charged to the appropriate accounts as determined by the purpose for which the material is used.

CASE 450.

Query. A bridge was damaged by a wreck which was cleared within an hour. Although it was possible to repair the bridge where it stood, the management considered it economy to remove the bridge to the shops for repairs.

Pending the repairs, a temporary pile structure was installed. To what account should the cost of the temporary bridge be charged?

Answer. To operating expense account No. 9, "Bridges, Trestles, and Culverts."

CASE 451.

Query. Referring to Accounting Bulletin No. 1, covering decisions upon questions raised under Classifications prescribed by the Com-

mission, and effective on July 1, 1908, it is stated therein that the bulletin contains final answers to a series of questions submitted to the Bureau of Statistics and Accounts. The bulletin was not issued as an order of the Commission.

Are these decisions subject to revision or cancellation at any time by the Bureau of Statistics and Accounts or by the Commission? Reference is had particularly to Cases 109 and 171.

Answer. The Accounting Bulletins are not issued under order because the cases therein are regarded as interpretations of existing classifications and supplements, which classifications and supplements are covered by orders of the Commission.

The word "final" used in the introductory letter indicates that Accounting Bulletin No. 1 embodies the conclusions of the Bureau of Statistics and Accounts on cases therein and should not be interpreted as meaning that the Commission is not at liberty to modify its own orders.

CASES 452 AND 453.

(Answers not finally approved. *See Accounting Series Circular No. 12c.*)

CASE 454.

Query. To what account should we charge the cost of printing coupon and local tickets and baggage checks?

Answer. To account No. 97, "Stationery and Printing" under Transportation Expenses. (*See Case 341.*)

CASE 455.

(Answer not finally approved. *See Accounting Series Circular No. 12c.*)

CASE 456.

Query. This company owns no freight cars, but borrows all it uses from a connecting line on a per diem basis. We recently had a derailment which almost completely destroyed a freight car so borrowed.

To what account should we charge the amount which we will have to pay to the connecting line for the car, after deducting salvage, if there be any, and to what account should we charge the wages of carpenters and others engaged in collecting the salvage?

Answer. To operating expense account No. 34, "Freight Train Cars—Repairs," and the value of the salvage, if any, should be credited to the same account.

It is assumed that the labor of carpenters and other men engaged in collecting salvage is in direct connection with the derailment, and the cost should, therefore, be charged to account No. 93, "Clearing Wrecks."

CASE 457.

(Answer not finally approved. See *Accounting Series Circular No. 12c*).

CASE 458.

Query. To what account should be charged the wages of a train crew running special trains equipped with tank cars for the purpose of hauling water to be used by locomotives in train service? The expense was caused by the water supply being exhausted at one of the water stations.

Answer. To account No. 74, "Water for Yard Locomotives," or to account No. 83, "Water for Road Locomotives," according to the use to be made of the water.

CASE 459.

Query. To what account should be charged amounts paid for water at section houses.

Answer. To account No. 18, "Roadway Tools and Supplies," unless the payments are for permanent water rights, when the amounts should be charged to account No. 16, "Buildings, Fixtures, and Grounds."

CASE 460.

(Answer not finally approved. See *Accounting Series Circular No. 12c*).

CASE 461.

Query. What account should be charged for switching where there is no freight movement as in the case where A switches an empty car for B to be loaded with stock, and the car is not loaded, but returned empty and B pays two switching charges without a freight movement?

Answer. Switching charges on empty cars, when not in connection with loaded movement, should be charged to account No. 98, "Other Expenses." (See *Case 218*.)

CASES 462 TO 465, INCLUSIVE.

(Answers not finally approved. See *Accounting Series Circular No. 12c*).

CASE 466.

(Canceled.)

CASE 467.

(Answer not finally approved. *See Accounting Series Circular No. 12c.*)

CASE 468.

Query. Operating expense account No. 69, "Yard Switch and Signal Tenders" reads in part as follows: "This account includes pay of employees engaged in operating signals and interlocking plants in yards used exclusively for the government of the movement of yard trains."

It is our understanding that we should charge to this account, and we have so charged during the past year, the pay of switch tenders and signal tenders located in our large freight and passenger yards, although such signals and switches are changed from time to time and govern the movement of main line trains into, out of, or through such yards; the primary purpose of the signals and switches, however, is for use in connection with making up and distributing trains arriving and departing.

Is our interpretation of this account correct?

Answer. Where the primary purpose of such signals and switches is the signaling and handling of trains in yard movement, the pay of employees operating such signals should be charged to account No. 69, "Yard, Switch, and Signal Tenders."

CASES 469 AND 470.

(Answers not finally approved. *See Accounting Series Circular No. 12c.*)

CASE 471.

Query. Our engine damaged another company's interlocking plant. The plant is operated for the joint use of the A B Railroad and this company, but as our employees caused the damage, our company is responsible for the amount.

To what account should the cost of the damage be charged?

Answer. To account No. 101, "Damage to Property."

CASE 472.

Query. In the Supplement to the Third Revised Issue of the Classification of Operating Expenses, page 31, account No. 63, "Station Employees" includes "Payments to elevator companies for transferring grain en route," while the decision in Case 219 would seem to

require such charges to be proper deductions from "Freight Revenue." Kindly explain the apparent conflict.

Answer. The amended text of operating expense account No. 63, "Station Employees," includes "Payments to elevator companies for transferring grain en route," and Case 219 directs that a payment for elevation and storage provided for in the rate shall be charged to account No. 1, "Freight Revenue." In the first instance, the charge is an expense to the railroad company for transferring due to crippled cars, heated grain, or other unforeseen causes. In the second instance, it is a division of the rate for a service performed for the shipper and specifically mentioned in the tariff.

CASES 473 AND 474.

(Answers not finally approved. See *Accounting Series Circular No. 12c.*)

CASE 475.

Query. To what account should be charged the cost of picking up and carting away the garbage, refuse, etc., dumped along the team tracks at stations when cleaning cars?

Are such items covered by the ruling in Case 41, or should they be charged to account No. 63, "Station Employees?"

Answer. They should be charged to account No. 6, "Roadway and Track." While Case 41 does not specifically cover the foregoing, the conditions in the two cases are apparently analogous. Account No. 6, "Roadway and Track," provides for "removing dirt from track yards," and this wording should be construed to include garbage, refuse, etc.

CASE 476.

(Answer not finally approved. See *Accounting Series Circular No. 12c.*)

CASE 477.

Query. A terminal company furnishes car inspectors for the various lines operating into its terminal and divides the expense of inspection among the lines on the basis of the number of cars inspected for each line.

To what account should the amounts paid by the lines to the terminal company be credited?

Answer. Should be credited by the line paying the men to account No. 34, "Freight-Train Cars—Repairs" or to account No. 31, "Passenger-Train Cars—Repairs," as the case may be, and the same accounts charged by debtor lines. (See *Case 56.*)

CASES 478 TO 480, INCLUSIVE.

(Answers not finally approved. See *Accounting Series Circular No. 12c.*)

CASE 481.

Query. In order that our passenger coaches may be supplied with gas at a point where we have no gas plant, we have placed on one of our flat cars two iron tanks for the transportation of gas from our gas plant.

The expense of making changes in the car for the reception of the tanks amounted to about \$20.

To what account should the cost of changing the car, as well as all subsequent repairs, be charged?

Answer. To account No. 43, "Work Equipment—Repairs."

CASE 482.

Query. In accordance with the provision in the Supplement to the Classification of Operating Expenses, under account No. 43, "Work Equipment—Repairs," the cost of repairing commercial cars assigned to maintenance of way service is not chargeable to the above-named account, but is to be charged to account No. 34, "Freight-Train Cars—Repairs."

This method was adopted by our lines, effective July 1, 1908, and following the same principle, instructions were issued that repairs to work cars, when engaged in commercial service, should be charged to account No. 43, "Work Equipment—Repairs," and not to account No. 34, "Freight Train Cars—Repairs." In other words, the classification of the car with reference to freight or work service governs the disposition of the repairs.

Account No. 34, in the Supplement, provides that repairs to "ballast" cars, when in commercial service, should be charged to that account. As ballast cars on our lines are classed as roadway service equipment, the provision in the Supplement just referred to is disregarded, and repairs to ballast cars are all charged to account No. 43, "Work Equipment—Repairs," regardless of the class of service in which the cars were used. Consistency in the treatment of these repairs is certainly desirable, hence our disposition of the expense as indicated above.

By referring to Case 47, it is evident that the intention was to class ballast cars as freight-train cars, if they were in commercial service for a greater part of the time, and in this event charging the repairs to account No. 34, "Freight-Train Cars—Repairs" would be proper.

What is the proper disposition of the matter?

Answer. Account No. 34, "Freight-Train Cars—Repairs," should be construed as being chargeable with repairs to ballast cars only when such cars are engaged for the greater part of the time in commercial service. If ballast cars are for a greater part of the time engaged in roadway service, cost of repairs should be charged to account No. 43, "Work Equipment—Repairs."

CASE 483.

(Answer not finally approved. See *Accounting Series Circular No. 12c.*)

CASE 484.

Query. The Classification of Operating Expenses, effective on July 1, 1907, contains provisions under the various "Superintendence" accounts that "When officers and others above enumerated have supervision over other departments also, their salaries and expenses should be apportioned equally between the departments over which they have jurisdiction."

The question has arisen as to whether this rule should be applied alike for large and small roads in the case of salaries and expenses of general or division superintendents.

It is our understanding that for a road with a complete organization of roadmasters, division master mechanics, division superintendents, and a general superintendent, etc., the division and general superintendents should be regarded as transportation officers exclusively, and that their salaries and expenses should be charged entirely to account No. 61, "Superintendence" under Transportation Expenses, regardless of the fact that these officers are theoretically assumed to have jurisdiction over the maintenance of way and maintenance of equipment departments.

For small roads having no complete organization as above stated, where the division and general superintendents, or perhaps the general manager, supervise the work of the maintenance of way, maintenance of equipment and transportation departments and there are no subordinate officers in direct charge of such departments, it is our understanding that their salaries and expenses should be apportioned among the various "Superintendence" accounts in accordance with the classification. In other words, we understand that the rule referred to was intended to apply only to small roads.

Answer. It is proper to divide the salaries and expenses of general and division superintendents equally among the "Superintendence" accounts of the departments over which they have jurisdiction. The text is applicable to large as well as small roads. (See Case 330.)

CASE 485.

(Canceled.)

CASE 486.

Query. Referring to Annual Report, Form A—Large Roads, page 59, please advise if the debits and credits to replacement funds for freight cars, work cars, and locomotives should be entered under the heading, "Sinking, Insurance, and Other Funds."

Answer. Page 59 of the Annual Report, Form A—Large Roads, for the year ending June 30, 1908, is intended to be used only for special funds in cash or securities, set aside for specific purposes and removed from the general or treasury assets of the company and usually placed in the hands of trustees.

CASES 487 TO 490 INCLUSIVE.

(Answers not finally approved. *See Accounting Series Circular No. 12c.*)

CASE 491.

Query. We are unable to find a ruling for the distribution of extraordinary expenses for injuries to persons, destruction or damage to property, the result of casualties in joint yards, tracks, or terminals; that is, whether the charge for such extraordinary items should be made direct to the accounts under "Maintaining Joint Tracks, Yards, and other Facilities," "Maintaining Joint Equipment at Terminals," "Operating Joint Yards and Terminals," or "Operating Joint Tracks and Facilities," or whether the distribution of such items should be made to the primary accounts carrying such charges.

We find that there is no uniformity in the practice of making such charges and ask that you give us a ruling.

Answer. All expenses incurred in the operation of joint yards, tracks, terminals, or other facilities, in which the parties to the contracts for such operation participate, should be handled through the appropriate joint-facilities accounts. This includes expenses the result of casualties resulting in injuries to persons, destruction or damage to property, etc.

The carrier paying the expenses should distribute the total to its primary accounts. The proportion chargeable to other companies should be handled through the appropriate joint-facilities accounts.

CASE 492.

Query. There appears to be some difference of opinion among the tenant lines of this company as to whether we should credit account

No. 78 or account No. 105 with bills rendered them for their proportion of transportation expenses. The situation is as follows:

This company furnishes joint passenger facilities to five tenant lines, the expense of operation being charged to them on a wheelage basis. We own 2.45 miles of tracks and the depot building, but do not own or operate any switch engines; the tenant line companies handling their trains over our tracks with their own crews.

Which one of these two accounts will apply so far as our transportation expenses are concerned?

Answer. If the entire 2.45 miles maintained by your company, and operated over by the tenant lines are a part of your union station facilities the proportion of transportation expenses charged out by you to tenant lines should be credited to account No. 78, "Operating Joint Yards and Terminals—Cr."

Your property is a terminal and there appears to be no reason for assuming that any proportion of the expense should be credited to account No. 105, "Operating Joint Tracks and Facilities—Cr."

CASE 493.

Query. We have had up with several roads the question of proper distribution of bills rendered by one road against another for proportion of wages paid flagmen at crossings where no tower or gate is used, the only facility being a small shelter of some kind. We have been crediting our bills rendered against other roads for their proportion of such expense to the primary account "Crossing Flagmen and Gatemen," but some roads insist that bills of this kind should be credited to "Operating Joint Yards and Terminals" or "Operating Joint Tracks and Facilities." We have based our distribution upon the ruling in Case 193, and Accounting Series Circular No. 14, from which it does not appear to be intended that joint employees be treated as joint facilities.

Kindly advise to what account bills rendered against other companies for their proportion of wages of crossing flagmen where there is no tower or gates should be distributed.

Answer. If the crossing flagmen are employed at road crossings where the tracks of two or more companies are parallel and there are no tracks used jointly, the proportion billed other companies should be credited by the billing road to primary account No. 91, "Crossing Flagmen and Gatemen" and taken up in same account by the paying road. If, on the contrary, the flagmen are located at street or road crossings in joint yards, such bills should be adjusted through the account "Operating Joint Yards and Terminals," and if on joint

tracks outside of yards, through the account "Operating Joint Tracks and Facilities."

CASE 494.

(Answer not finally approved. *See Accounting Series Circular No. 12c.*)

CASE 495.

Query. A contract with an electric line permits it to operate its cars over our track. The electric line is to pay us 10 cents per car for this privilege. We are to bear all expense of maintaining the track.

What account should be credited with the amount received from the electric company?

Answer. If the electric line is a common carrier reporting to the Interstate Commerce Commission as such, the revenue received should be apportioned between account No. 22, "Maintaining Joint Tracks, Yards, and Other Facilities" and rent under Income Account. The foregoing is on the assumption that no operating expenses other than maintenance are incurred by the owning company for the benefit of the tenant company.

If not a common carrier, the amount received should be credited to Revenue account No. 18, "Rents of Buildings and Other Property."
(*See Case 17.*)

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CASE 494.

(Answer not finally approved. *See Accounting Series Circular No. 12c.*)

CASE 495.

Query. A contract with an electric line permits it to operate its cars over our track. The electric line is to pay us 10 cents per car for this privilege. We are to bear all expense of maintaining the track.

What account should be credited with the amount received from the electric company?

Answer. If the electric line is a common carrier reporting to the Interstate Commerce Commission as such, the revenue received should be apportioned between account No. 22, "Maintaining Joint Tracks, Yards, and Other Facilities" and rent under Income Account. The foregoing is on the assumption that no operating expenses other than maintenance are incurred by the owning company for the benefit of the tenant company.

If not a common carrier, the amount received should be credited to Revenue account No. 18, "Rents of Buildings and Other Property." (*See Case 17.*)

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Accounting Bulletin No. 5

DECISIONS UPON QUESTIONS

RAISED UNDER

CLASSIFICATIONS

PRESCRIBED BY

**THE INTERSTATE COMMERCE
COMMISSION**

FOR ELECTRIC RAILWAYS .

IN ACCORDANCE WITH

SECTION 20 OF THE ACT TO REGULATE COMMERCE

Effective on May 1, 1910

(Supersedes Accounting Bulletin No. 2)



**WASHINGTON
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1910**



THE INTERSTATE COMMERCE COMMISSION.

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(3)

INTRODUCTORY LETTER.

INTERSTATE COMMERCE COMMISSION,
BUREAU OF STATISTICS AND ACCOUNTS,
Washington, April 16, 1910.

TO CARRIERS CONCERNED:

Under date of August 16, 1909, there was issued Accounting Bulletin No. 2, which contained answers to various accounting questions bearing upon the interpretation of certain classifications for electric railway companies, prescribed by the Interstate Commerce Commission to become effective on January 1, 1909. The cases in Accounting Bulletin No. 2 are reprinted in this Accounting Bulletin No. 5, with the exception that one case has been amended. Thus Accounting Bulletin No. 5 contains a file of important cases relating to the classifications for electric railways that were submitted before March 1, 1910.

As a matter of information it may be proper to state that the answers to questions recorded in this bulletin have received the approval of the Committee on Standard Classification of Accounts, of the American Street and Interurban Railway Accountants' Association.

HENRY C. ADAMS,
In charge of Statistics and Accounts.

CASE 17.

Query. We have installed in our different carhouses some large storage tanks for compressed air. The compressed air is used in filling air tanks on cars for the operation of brakes. To what account should we charge the maintenance and operation of said tanks?

Answer. The cost of maintenance should be charged to account No. 38, "Shop Machinery and Tools," and the cost of operation to account No. 63, "Miscellaneous Car-Service Expenses."

CASE 18.

Query. To what account should be charged the cost of printing expense bills, balance sheets, and other stationery used in the handling of express and freight business incident to the operation of an electric railway?

To what account should be charged printing and stationery used by clerks whose salaries are charged to account No. 1, "Superintendence of Way and Structures;" account No. 29, "Superintendence of Equipment," and account No. 48, "Superintendence of Transportation?"

Answer. The cost of expense bills, balance sheets, and other stationery should be charged to account No. 84, "Stationery and Printing." By referring to the note under "Undistributed Accounts," on page 45 of the classification of Operating Expenses of Electric Railways, it will be found that carriers are at liberty to distribute items covered by accounts Nos. 82 to 88, inclusive, but that all reports to the Commission must agree with the accounts which are prescribed.

The cost of stationery and printing used by clerks whose salaries are charged to accounts Nos. 1, 29, and 48 should be charged to account No. 84. (*See Cases 14 and 23.*)

CASE 19.

Query. We have on our lines foreign cars on which we pay a per diem charge. To what account should an expense of this nature be charged? To what account should be charged the maintenance of such cars while on our tracks?

Answer. Per diem on foreign cars should be charged to account No. 88, "Rent of Equipment," and the maintenance of such cars while on your tracks to account No. 32, "Passenger and Combination Cars;" account No. 33, "Freight, Express, and Mail Cars;" account No. 35, "Service cars;" or account No. 36, "Electric Equipment of Cars."

CASE 20.

Query. We have electric cars equipped and used as pile driver, steam shovel, concrete mixer, and stone crusher. To what accounts should be charged the maintenance of these cars and the machinery?

Answer. The maintenance of such cars and machinery should be charged to account No. 35, "Service Cars," or account No. 36, "Electric Equipment of Cars," except when the cars are used on work not chargeable to operating expenses.

CASE 21.

Query. To what account should be charged the wages of clerks in carhouses whose duty it is to furnish motormen and conductors with their tickets and supplies, and to receive from conductors their daily remittances and arrange same before sending to the general office?

Answer. To operating expense account No. 48, "Superintendence of Transportation."

CASE 22.

Query. To what account should an electric carrier charge commissions and wages paid for the sale of school and other tickets at various stores along the line?

Answer. If the tickets are sold at stores which can be considered stations, charge commissions and wages paid to account No. 64, "Station Employees;" if the stores can not be considered stations, charge to account No. 45, "Superintendence and Solicitation."

CASE 23.

Query. To what account should be charged the cost of printing and furnishing reports made by conductors each day (trip sheets) and shortage notices?

Answer. To operating expense account No. 84, "Stationery and Printing." (See Cases 14 and 18.)

CASE 24.

Query. To what account should be charged the salary and expenses of a supervising engineer in charge of the construction of a new line and buildings, and the installation of machinery in power plants? It is not clear to us whether these expenses should be charged to account No. 1, "Engineering and Superintendence," or charged directly to the account for which incurred, in accordance with Note B.

Answer. If the engineer in question has direct supervision over all of the work in connection with the construction of a new line, it will prob-

ably not be possible to apportion his salary and expenses among the various construction accounts, and charges should, therefore, be made to account No. 1, "Engineering and Superintendence," in the Classification of Expenditures for Road and Equipment of Electric Railways.

Note B, under account No. 1, provides that, whenever it is possible, the expenses enumerated should be charged directly to the account for which incurred, as for example, power-plant buildings, or shops and carhouses. However, it is not the intention to insist upon any unnecessary refinement in accounting for such matters.

CASE 25.

Query. Should all the ties, rails, rail fastenings, and joints used in connection with cross-overs, curves, and turn-outs be charged to account No. 8, "Special Work," in the Classification of Expenditures for Road and Equipment of Electric Railways? What is meant by the term "curves," as specified in said account?

Answer. Account No. 8, "Special Work," is not intended to cover the cost of ties, rails, rail fastenings, and joints. These items should be charged to accounts provided for such expenditures. The terms "cross-overs," "curves," and "turn-outs" cover only those portions of track which are made to order.

Ordinary curves should be treated as "rails," and other curves as "special work."

CASE 26.

Query. What instructions, if any, have been issued by the Interstate Commerce Commission covering the treatment of amounts expended by electric railways for betterments and improvements?

Answer. The Commission has issued no instructions to electric railways relative to additions and betterments expenditures. Until advised to the contrary, it will only be necessary for such carriers to dispose of expenditures of this nature in accordance with the Classification of Expenditures for Road and Equipment of Electric Railways.

CASE 27.

Query. Will a company using the standard system of electric railway accounting recommended by the Street Railway Accountants' Association of America be required to adopt the Classifications of Operating Revenues and Operating Expenses of Electric Railways as prescribed by the Interstate Commerce Commission?

Answer. If a company engages in the interstate transportation of persons or property, it should keep its accounts in accordance with the classifications prescribed by the Interstate Commerce Commission effective on January 1, 1909.

CASE 28.

Query. To what account should be charged the cost of cleaning the conduit under tracks and removing dirt and trash of various kinds which collect therein on roads operated by the underground conduit system?

Answer. This is a feature of maintenance, and is properly chargeable to operating expense account No. 11, "Cleaning and Sanding Tracks."

CASE 29.

Query. We note that the accounts "Interest, Discount, and Exchange" and "Taxes," heretofore carried by many companies in their general expense, have been dropped from the classification of the Interstate Commerce Commission. Please advise as to the manner in which they should be handled.

Answer. Interest, discount, exchange, and taxes, when arising in connection with operations, should be handled through the Income Account. Interest in connection with expenditures for road and equipment should be handled through primary account No. 41, "Interest," in the Classification of Expenditures for Road and Equipment of Electric Railways.

CASE 30.

Query. This company's tower wagon is frequently used in connection with the construction of electric lines along new tracks, and it has been our custom to credit to "Stable Expenses" the cost of the service. Is this correct?

Answer. The expenses of repair or tower wagons which are frequently used in construction work should be apportioned between maintenance and construction accounts in accordance with the use to which they are put. If expenses properly chargeable to construction have been included in account No. 40, "Horses and Vehicles," and account No. 86, "Stable Expenses," these accounts should receive proper credit.

CASE 31.

Query. A railway company's shop performs services properly chargeable to various construction accounts and to other companies and persons. To what account should be credited the department expense added to the cost of labor and material to cover a portion of miscellaneous shop and storeroom expenses?

Answer. It should be credited to the proper accounts under Operating Expenses.

ably not be possible to apportion his salary and expenses among the various construction accounts, and charges should, therefore, be made to account No. 1, "Engineering and Superintendence," in the Classification of Expenditures for Road and Equipment of Electric Railways.

Note B, under account No. 1, provides that, whenever it is possible, the expenses enumerated should be charged directly to the account for which incurred, as for example, power-plant buildings, or shops and carhouses. However, it is not the intention to insist upon any unnecessary refinement in accounting for such matters.

CASE 25.

Query. Should all the ties, rails, rail fastenings, and joints used in connection with cross-overs, curves, and turn-outs be charged to account No. 8, "Special Work," in the Classification of Expenditures for Road and Equipment of Electric Railways? What is meant by the term "curves," as specified in said account?

Answer. Account No. 8, "Special Work," is not intended to cover the cost of ties, rails, rail fastenings, and joints. These items should be charged to accounts provided for such expenditures. The terms "cross-overs," "curves," and "turn-outs" cover only those portions of track which are made to order.

Ordinary curves should be treated as "rails," and other curves as "special work."

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Query. What instructions, if any, have been issued by the Interstate Commerce Commission covering the treatment of amounts expended by electric railways for betterments and improvements?

Answer. The Commission has issued no instructions to electric railways relative to additions and betterments expenditures. Until advised to the contrary, it will only be necessary for such carriers to dispose of expenditures of this nature in accordance with the Classification of Expenditures for Road and Equipment of Electric Railways.

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Query. Will a company using the standard system of electric railway accounting recommended by the Street Railway Accountants' Association of America be required to adopt the Classifications of Operating Revenues and Operating Expenses of Electric Railways as prescribed by the Interstate Commerce Commission?

Answer. If a company engages in the interstate transportation of persons or property, it should keep its accounts in accordance with the classifications prescribed by the Interstate Commerce Commission effective on January 1, 1909.

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Query. To what account should be charged the cost of cleaning the conduit under tracks and removing dirt and trash of various kinds which collect therein on roads operated by the underground conduit system?

Answer. This is a feature of maintenance, and is properly chargeable to operating expense account No. 11, "Cleaning and Sanding Tracks."

CASE 29.

Query. We note that the accounts "Interest, Discount, and Exchange" and "Taxes," heretofore carried by many companies in their general expense, have been dropped from the classification of the Interstate Commerce Commission. Please advise as to the manner in which they should be handled.

Answer. Interest, discount, exchange, and taxes, when arising in connection with operations, should be handled through the Income Account. Interest in connection with expenditures for road and equipment should be handled through primary account No. 41, "Interest," in the Classification of Expenditures for Road and Equipment of Electric Railways.

CASE 30.

Query. This company's tower wagon is frequently used in connection with the construction of electric lines along new tracks, and it has been our custom to credit to "Stable Expenses" the cost of the service. Is this correct?

Answer. The expenses of repair or tower wagons which are frequently used in construction work should be apportioned between maintenance and construction accounts in accordance with the use to which they are put. If expenses properly chargeable to construction have been included in account No. 40, "Horses and Vehicles," and account No. 86, "Stable Expenses," these accounts should receive proper credit.

CASE 31.

Query. A railway company's shop performs services properly chargeable to various construction accounts and to other companies and persons. To what account should be credited the department expense added to the cost of labor and material to cover a portion of miscellaneous shop and storeroom expenses?

Answer. It should be credited to the proper accounts under Operating Expenses.

CASE 32.

Query. To what accounts should the following charges be made?

(1) Rents paid to private firms or individuals for the right to operate over private property.

(2) Rent for land on which pole-line right of way for high-tension lines is located.

(3) Amounts paid to municipalities for the right to operate cars over and across streets.

(4) Amounts paid to boards of public works, county officers, etc., for the right to operate cars on and across public highways.

Answer. (1) Charge to account No. 19, "Other Miscellaneous Way Expenses."

(2) Charge to account No. 24, "Miscellaneous Electric Line Expenses."

(3) and (4) Charge to "Taxes" under "Deductions from Income."

CASE 33 (*amended*).

Query. To what account or accounts should be credited charges made against operation and construction accounts for electricity furnished by an electric railway company for the use of its shop motors, carhouse lighting, running of construction cars engaged in company service, such as building new tracks, etc.?

Answer. The Classification of Operating Expenses of Electric Railways does not require a segregation of the cost of power to shops, carhouses, etc. The last paragraph on page 7 of the Classification provides that any carrier may "keep any temporary or experimental accounts, the purpose of which is to develop the efficiency of operations: *Provided, however,* That such temporary or experimental accounts shall not impair the integrity of any general or primary account hereby prescribed; and that any such temporary or experimental accounts shall be open to inspection by the Commission." It is therefore permissible for any carrier to ascertain for its own information the cost of power used at shops or carhouses.

The Classification of Operating Expenses of Electric Railways does not contemplate that any distribution shall be made to maintenance accounts for electricity furnished by an electric railway for the use of its shop motors, carhouse lighting, or running of work cars engaged in maintenance.

The actual cost of operating work cars for construction purposes, such as building new tracks, etc., is properly chargeable to construction accounts, and proper credit may be given to revenue account No. 9, "Miscellaneous Transportation Revenue." (*See Case 84.*)

CASE 34.

Query. A large percentage of the purchases made by the purchasing department of this company are for construction and betterment purposes. Would it be permissible to charge to the appropriate construction and betterment accounts such a proportion of the salaries and expenses of that department as would fairly represent the expense of the purchases made primarily for such construction and betterments?

Answer. The Classification of Operating Expenses of Electric Railways is intended to cover operating expenses only, and it is proper to charge to the appropriate construction and betterment accounts such a proportion of the salaries and expenses of purchasing agents and assistants as would fairly represent the expense of the purchases made for such construction and betterments. In the consideration of this question account No. 85, "Store Expenses," should not be overlooked.

CASE 35.

Query. What is meant by "Undistributed Accounts" in the Classification of Operating Expenses of Electric Railways?

Answer. Undistributed accounts are those which contain expenses properly chargeable to more than one of the five general accounts under Operating Expenses. For example, there are injuries which, from a strict accounting standpoint, should be charged under "Way and Structures," "Equipment," etc. There are various difficulties in distributing these expenses among the various general accounts and the Commission is willing that all expenses for injuries should be carried in account No. 82, "Injuries and Damages," under general account "General and Miscellaneous."

CASE 36.

Query. A carrier conducting a railway, lighting, and power business carries its general accounts in the lighting and power department. A monthly charge for power is made to the street railway department and to the lighting department. Are the monthly charges for power to the lighting and street railway departments satisfactory and is a single balance sheet for the entire business permissible?

Answer. Each carrier conducting a railway, lighting, and power business is at liberty to decide for itself under which department the primary operating expense accounts shall be carried, and should decide upon the basis of division of expenses among the various departments. If the expenses are carried under the lighting and power department, it will be necessary to show on the books of the railway department un-

der accounts Nos. 27, 43, 58, and 80, "Other Operations—Dr.," the proportions chargeable to the railway department under "Way and Structures," "Equipment," "Conducting Transportation," and "General and Miscellaneous." The amounts charged to the railway department should be handled in the books of the lighting and power department through such accounts as "Other Operations—Cr."

The Commission has not prescribed a classification of revenues and expenses for outside operations for electric railways.

One balance sheet is all that is necessary for the entire business described in this query.

CASE 37.

Query. To what account should be charged payments made to the Government, on the basis of a specific charge per passenger, for the privilege of operating cars over its bridge?

Answer. Charge to "Taxes."

CASE 38.

Query. What disposition should be made of custom labor or labor of employees in various departments on work entirely outside of railway operation, for which the railroad is reimbursed the wages of the employees, together with the profit on same and the general shop expenses? What disposition should be made of profits on new material sold to some outside concern from storeroom stock which has been handled in sales account?

Answer. Assuming that the amount involved in custom labor account is small, and that the expenses have been charged to operating accounts, items covering labor performed for outside parties, together with the percentage added for profit and general shop expenses, should be debited to "Accounts Receivable" and credited to the operating expense accounts originally charged.

The net revenue from the sales account should be handled as miscellaneous income.

CASE 39.

Query. To what account should be charged the cost of new structures and general improvements in a free private park and the maintenance expenses of such park?

Answer. The cost of new structures and improvements of a substantial character in a free private park should be charged to account No. 33, "Park and Resort Property," in the Classification of Expenditures for Road and Equipment of Electric Railways.

Maintenance expenses of such park should be charged to operating expense account No. 46, "Advertising."

CASE 40.

Query. Should the expense of sprinkling streets be charged to the same account as sanding and cleaning track?

Answer. The cost of sprinkling roadway and track, when not done directly in connection with construction or repairs of track or paving, should be charged to operating expense account No. 11, "Cleaning and Sanding Tracks." The cost of sprinkling rendered necessary by construction or repairs of track or paving should be charged to the proper construction or maintenance account.

CASE 41.

Query. A company, organized for purely local street railway business and having no electric lighting or gas department and no joint arrangement with any other company in the operation of cars, requests information as to the manner in which the accounts in various parts of the Classification of Operating Expenses, "Other Operations—Dr." and "Other Operations—Cr.," would enter into its records.

Answer. From the foregoing statement it is evident that the company in question will not require the accounts "Other Operations—Dr." and "Other Operations—Cr." It is not expected that a carrier will keep any accounts on its books for which it has no need.

CASE 42.

Query. The A and B Light and Traction Company operates gas, electric light, and street railway properties. The operating expenses of the three coordinate departments are kept entirely separate except the general expenses, consisting of clerical salaries, rent, taxes, and office supplies. Will it be satisfactory to the Commission for us to continue carrying expenses of this character in one account covering all departments, and so state the fact in our annual report?

Answer. Where a company operates both a railway department and a lighting department, the entire cost of producing power should be carried in the primary accounts either of the railway department or of the lighting department, and the amounts chargeable to the other department should be handled through the various accounts, "Other Operations—Dr." and "Other Operations—Cr." For example, if the cost of power is carried in the primary accounts of the railway department, the proportion of operating expenses chargeable to the lighting department should be credited to the various "Other Operations—Cr." accounts. In the case cited, the proportion of "General Expenses"

chargeable to the lighting department would appear as a credit under account No. 81, "Other Operations—Cr."

Taxes need not be subdivided between the railway and lighting departments. Taxes should be treated through the Income Account.

CASE 43.

Query. We are charging to account No. 56, "Power Purchased," the actual cost of electric current generated at our plant (gas, electric light, and street railway property) consumed by the railway department. Is this correct?

Answer.—The practice above outlined is not in accordance with the requirements of the Classification of Operating Expenses of Electric Railways. Account No. 56, "Power Purchased," is provided for expenditures for power purchased from other companies. (See Case 42.)

CASE 44.

Query. To what account should be credited the amount received from the sale of manure removed from stables?

Answer. To operating expense account No. 86, "Stable Expenses."

CASE 45.

Query. This company operates a sprinkling car for the purpose of sprinkling certain streets and highways on which our track is laid. The city in which this service is performed pays us, as its proportion of the cost of this service, from 15 to 20 cents per sprinkler car-mile run. Please advise to what accounts the corresponding debits and credits should be made.

Answer. The amount received from the city should be credited to revenue account No. 9, "Miscellaneous Transportation Revenue."

In case the service mentioned is performed primarily as a service for the benefit of the road, and the amount received from the city is only incidental, the expense of operating the sprinkling car should be charged to operating expense account No. 11, "Cleaning and Sanding Tracks," and the cost of maintenance and repairs to account No. 35, "Service Cars." If, however, the service rendered is primarily for revenue purposes, the operating expenses should be charged to the appropriate operating expense accounts, as in any other revenue movements. (See Case 84.)

CASE 46.

Query. Is there not a conflict between account No. 10, "Paving," and account No. 16, "Crossings, Fences, Cattle Guards, and Signs," in the Classification of Expenditures for Road and Equipment of

Electric Railways, so far as they refer to "labor and material on cross walks?"

Answer. There is no conflict between the accounts mentioned. Account No. 10 embraces the expense of labor and material used in cross walks constructed in connection with paving on streets along which the electric road extends; while account No. 16 covers street and road crossings at other points, where it may be necessary to construct entirely new crossings or to provide crossings of an improved character over those previously existing.

CASE 47.

Query. To what operating expense account should be charged the cost of labor and material used in connection with the repair of overhead contacts installed in the trolley wire, and of wires leading from the trolley to magnets, etc., which operate an electric track switch, a device for automatically doing the work of a switchman through the operation of the magnets?

Answer. The cost of material should be charged to account No. 6, "Special Work," and the cost of labor to account No. 8, "Roadway and Track Labor."

CASE 48.

Query. To what account should be charged amount paid for rent of land on which a "Y" or switch is located?

Answer. To account No. 19, "Other Miscellaneous Way Expenses," in the Classification of Operating Expenses of Electric Railways.

CASE 49.

Query. This company has an arrangement with telephone, telegraph, and electric lighting companies, whereby it pays an amount for the privilege of making attachments to their poles for carrying its wires, and collects from them another amount for attachments to its poles for carrying their cables and wires. To what accounts should the resulting debit and credit be made?

Answer. Charge amount paid to operating expense account No. 24, "Miscellaneous Electric Line Expenses," and credit amount received to revenue account No. 17, "Rents of Buildings and Other Property."

CASE 50.

Query. To what account should be charged the cost of material used in the construction of a retaining wall for the protection of banks

from high tides, it being understood that account No. 8, "Roadway and Track Labor," is intended to cover the cost of labor expended in such work?

Answer. Operating expense account No. 8, "Roadway and Track Labor," is intended to cover the cost of *labor* expended in "protecting banks by retaining walls, riprap, piling, dikes, or other means." The cost of *material* used in connection with work properly chargeable to operating expenses should be charged to account No. 10, "Miscellaneous Roadway and Track Expenses."

Expenditures of the above nature arising in connection with the construction of a new road should be charged to account No. 4, "Grading," in the Classification of Expenditures for Road and Equipment of Electric Railways.

CASE 51.

Query. To what account should be charged rent of land used for storage of track material, part of which is for use in repairs of track, but most of which is for use in the construction of new track?

Answer. Unless the amount paid for rent of land used for the storage of track material is a large item, such as several hundred dollars per annum, it should be charged to operating expense account No. 85, "Store Expenses." In case the amount paid is a considerable item, there is no objection to including an appropriate proportion in the construction accounts. Owing to the fact that it would be impracticable to divide this rental charge among the various construction material accounts, the amount should be charged to account No. 44, "Miscellaneous," in the Classification of Expenditures for Road and Equipment of Electric Railways.

CASE 52.

Query. Has the Interstate Commerce Commission prescribed any account for depreciation of way and structures or equipment?

Answer. The Interstate Commerce Commission does not require any electric railway company to keep account No. 26, "Depreciation of Way and Structures," and account No. 42, "Depreciation of Equipment," unless these accounts are prescribed by the Railway Commission of any State in which such company operates mileage.

CASE 53.

Query. Is it proper to charge to account No. 41, "Interest," in the Classification of Expenditures for Road and Equipment of Electric Railways, interest paid on loans made for construction purposes by an

operating electric railway company, said interest accruing on money used in building new tracks and for additional power-plant equipment and other construction purposes?

Answer. Interest which is paid or which accrues during construction should be charged to account No. 41, "Interest." Interest which accrues after the completion of the work is not chargeable to this account.

CASE 54.

Query. Should revenue account No. 15, "Rents of Tracks and Terminals," be credited with all compensation received for the use of tracks and electric lines, including services performed in connection with the dispatching and general supervision of the electric cars of one company using the tracks of another company?

Answer. All compensation of this nature should be credited to revenue account No. 15, "Rents of Tracks and Terminals." No provision is made in the electric classifications for joint facilities accounts.

CASE 55.

Query. This company owns a nine-story building. One-third of the ground floor is used for tracks for cars running into and out of the building, waiting room, ticket office, etc., and the balance is rented for store purposes, concessions, etc. The general offices occupy about one floor, and the remaining floors are rented for office purposes. Should rents received from tenants be credited to operating revenues or miscellaneous income?

Answer. Rents should be credited to revenue account No. 17, "Rents of Buildings and Other Property," if the expense of maintaining and operating the portions rented can not be separated from the expense of maintaining and operating the portion used by the railway company. In case the expense of maintaining and operating the portions rented can be separated from the expense of maintaining and operating the portion used by the railway company, the rents received should be included in Income and not in Operating Revenues, and the expense of maintaining and operating the rented portions should be charged against the rents received.

CASE 56.

Query. We are in doubt as to the proper account to be charged for trolley parts, namely, wheels, axles, washers, springs, harps, poles, bushings, etc., and carbon brushes, carbons, headlight parts, etc.

Should these items be charged to accounts 32 to 37, inclusive, or to account No. 63, "Miscellaneous Car-Service Expenses?"

Answer. All such parts as pertain to maintenance of equipment are chargeable to operating expense account No. 32, "Passenger and Combination Cars;" account No. 33, "Freight, Express, and Mail Cars;" account No. 34, "Locomotives;" account No. 35, "Service Cars;" account No. 36, "Electric Equipment of Cars;" or account No. 37, "Electric Equipment of Locomotives." Account No. 63, "Miscellaneous Car-Service Expenses," includes only such items as do not pertain to maintenance of equipment. The following indicates the line of demarcation between the electric equipment of a car and a car: Electric equipment of a car includes the electric *motive* equipment and wiring; the term "car" includes the car body and trucks, electric bells and wiring, electric heaters and wiring, electric lighting and wiring, and air-brake equipment and wiring. Under this segregation carbons used in electric arc headlights are chargeable to account No. 63, "Miscellaneous Car-Service Expenses," and the other items named to accounts 32 to 37, inclusive.

CASE 57.

Query. Are Class B and Class C electric carriers required to keep the 44 accounts composing the Classification of Expenditures for Road and Equipment of Electric Railways, and the 19 accounts composing the Classification of Operating Revenues of Electric Railways, the same as Class A carriers?

Answer. All electric carriers subject to the jurisdiction of the Interstate Commerce Commission are required to keep their road and equipment and revenue accounts in the same manner, no condensed classification of road and equipment accounts or of revenue accounts being provided for Class B or Class C carriers.

CASE 58.

Query. What is meant by the term "Car Hours" as used in the mileage, traffic, and miscellaneous statistics of the Annual Report, particularly with reference to "Passenger Car Hours?"

Answer. "Passenger Car Hours" include not only the actual time while in revenue service, but also the time consumed in running from carhouses to points where regular service is begun, time lost between trips, and time lost on account of delays caused by blockades, parades, etc. It includes the entire time during which the cars are in charge of the motormen and conductors.

CASE 59.

Query. Is it permissible to apportion store and stable expenses among the water, light, and railway departments in proportion to the services rendered by the storeroom and the stables?

Answer. The proportion of store and stable expenses chargeable to the water and light departments should be handled through account No. 81, "Other Operations—Cr.," it being the intention that the "Other Operations" accounts should apply in connection with all General and Miscellaneous accounts.

Carriers are at liberty to distribute store and stable expenses of the railway department to the various operating expense accounts affected, but for the purpose of the annual reports, the amounts distributed should be reported under account No. 85, "Store Expenses," and No. 86, "Stable Expenses," and such amounts eliminated from the accounts to which they were originally distributed.

In this connection attention is called to the fact that no portion of store expenses or stable expenses which is properly chargeable to road and equipment, should be included in accounts Nos. 85 and 86, as these accounts are intended to cover only operating expenses. (*See Case 10.*)

CASE 60.

Query. A company is required by its franchise to widen one of the streets upon which it operates, and pay all expenses of excavating, moving back and resetting curbs, constructing new catch-basins with sewer connections, adjusting all sidewalks and cross walks disturbed, readjusting all pole lines, hydrants, etc., owned by other corporations, and laying a new asphalt pavement between brick-paved railroad strip and the curbs. Would it be proper to consider this as an incidental cost of the road itself and chargeable to account No. 2, "Right of Way," or should the cost be charged to account No. 44, "Miscellaneous?"

Answer. The cost should be charged to account No. 2, "Right of Way," except cost of paving which should be charged to account No. 10, "Paving." (*See Case 116.*)

CASE 61.

Query. Is it intended that account No. 25, "Buildings and Structures," shall be used solely for repairs of owned buildings, or may the cost of repairs to rented buildings be included?

Answer. Account No. 25, "Buildings and Structures," is intended to include cost of repairs of owned buildings or buildings held under

long-term leases. The cost of repairs of buildings rented from month to month is not to be included in this account, but should be charged to the account to which the rent is charged.

CASE 62.

Query. Should repairs to rented passenger waiting rooms where tickets are sold be charged to account No. 65, "Station Expenses?"

Answer. Yes.

CASE 63.

Query. Should repairs to general offices that are rented be charged to account No. 25, "Buildings and Structures," or to account No. 75, "General Office Supplies and Expenses?"

Answer. Charge to account No. 75, "General Office Supplies and Expenses." (See Case 61.)

CASE 64.

Query. We have a contract with another carrier under which the other carrier provides cars and maintains them for the purpose of furnishing through service. Regular fares are collected to and from junction point by the other carrier. While these cars are on our tracks we pay all expenses of operation and retain all fares collected for transportation between points on such tracks, but pay to the other company a certain part of the fares collected from passengers traveling from or to points beyond the junction. How shall we charge amounts paid under this contract?

Answer. Charge to account No. 88, "Rent of Equipment."

CASE 65.

Query. In account No. 19, "Poles and Fixtures," in the Classification of Expenditures for Road and Equipment of Electric Railways is the statement, "To this account should be charged the cost of * * *, brackets and other pole fixtures, * * *, also structures for supporting the overhead electric construction." In account No. 22, "Distribution System," in the same classification is the statement, "To this account should be charged cost of material used and labor expended in constructing distribution system, including * * *, overhead trolley lines, including cost of trolley, guard, span, strain, supplementary, and other wires." Since brackets used for supporting trolley wires are analogous to span wires, should not the cost of such brackets be charged to account No. 22, "Distribution System?"

Answer. Brackets used for supporting trolley wires are distinctly pole fixtures and should be charged to account No. 19, "Poles and Fixtures."

Possibly there has been some misunderstanding as to the meaning of "structures for supporting the overhead electric construction" in account No. 19. This is intended to cover such structures as steel catenary bridges which are used by some railways to carry the double-track overhead lines and which have two side towers and a connecting truss built of light angles and channels.

CASE 66.

Query. Our master mechanic asks that we define the term "electric locomotive" as used in the Classification of Operating Expenses of Electric Railways, his desire being to know whether the build of the machine or the use to which it is put governs. We have a machine with standard express car body but with low speed, high-power motor equipment, which is used in handling ballast cars, flat cars, etc., in maintenance work, and sometimes in hauling such freight as lumber, wood, etc., in car lots.

Answer. In defining the term "electric locomotive" the build of the machine, rather than the use to which it is put, should govern. If it is so arranged that it can carry freight or passengers within itself, it should be considered a car.

This distinction seems necessary as it frequently happens that regular passenger cars, freight cars, or work cars are used to haul other cars and to treat them as locomotives, when so used, would undoubtedly lead to confusion.

CASE 67.

Query. To what account in the Classification of Expenditures for Road and Equipment of Electric Railways should be charged the cost of electric headlights for passenger cars?

Answer. Account No. 35, "Cars."

Account No. 37, "Electric Equipment of Cars," is intended to include only the electric motive equipment. (*See Case 9.*)

CASE 68.

Query. We have granted to other electric companies the privilege of attaching their wires to our poles. To what account should we credit revenue from this source?

Answer. To account No. 17, "Rents of Buildings and Other Property." (*See Case 49.*)

CASE 69.

Query. The Classification of Operating Revenues of Electric Railways provides in account No. 1, "Passenger Revenue," under the caption "Revenue from Transportation,"—"This account should be charged with amounts paid for * * * tickets redeemed." In Note B it is provided that all tickets may be credited to an open account and this account charged when tickets are collected. In case tickets are redeemed, should they not be charged to the open account to which the sale has been credited?

Answer. If advantage is taken of the privilege of crediting the sale of tickets to an open account, that account should also be charged with amounts paid for tickets redeemed.

CASE 70.

Query. Note B under revenue account No. 1, "Passenger Revenue," states that the proceeds from the sale of mileage books are to be carried to that account as they are honored for transportation. We have always handled the sale of these tickets by crediting directly to revenue, the same as we would round-trip tickets. Is it required that inter-urban companies reporting to the Commission shall follow the directions in account No. 1?

Answer. It is not permissible to credit revenue account No. 1, "Passenger Revenue," with receipts from mileage books at the time of sale. It will be necessary to credit receipts from mileage books to an open account at the time of sale and to charge such account and credit "Passenger Revenue" as the mileage is honored, in accordance with Note B.

CASE 71.

Query. When a railway company conducts a general lighting business, should the net earnings of the lighting department be included in the revenue statement under account No. 19, "Miscellaneous?"

Answer. Net earnings of the lighting department should not be included in Operating Revenues but should be included in the Income Account as "Other Miscellaneous Income."

CASE 72.

Query. To what account should be charged subscriptions to funds raised for the purpose of entertaining conventions visiting our city?

Answer. A subscription to a fund for the purpose of entertaining a convention should be considered as a donation for traffic purposes, and, therefore, should be charged to account No. 46, "Advertising."

CASE 73.

Query. Should the cost of tools used in maintenance of way and structures, including those used in the repairs and renewals of bridges and buildings, interlocking systems, transmission and distribution systems, and the cost of crucibles, etc., used in connection with a thermit welding machine, be charged to account No. 10, except as provided in accounts Nos. 11 and 12?

Answer. Account No. 10, "Miscellaneous Roadway and Track Expenses," includes only the "cost of roadway tools when chargeable to expenses, and cost of all material used and labor expended in repairing and renewing tools, implements, flags, lanterns, etc., used in repairing roadway and track." This would include crucibles, etc., used in connection with thermit welding machine. The cost of renewing and repairing tools should be charged to account No. 15, "Bridges, Trestles, and Culverts," if the tools are used in the maintenance of bridges; to account No. 17, "Signal and Interlocking Systems," if used in the maintenance of interlocking systems; to account No. 24, "Miscellaneous Electric Line Expenses," if used in the maintenance of transmission and distribution systems; and to account No. 25, "Buildings and Structures," if used in the maintenance of buildings.

It is not necessary to apportion among a number of accounts the cost of maintenance of tools used for general purposes.

CASE 74.

Query. A conductor on one of our cars, in discharge of his duty, ejected an unruly passenger who refused to pay fare. In doing so the conductor was injured to such an extent that he was unable to attend to his duties for some time. It has been decided to pay the conductor for all of the time lost. Is this a proper charge to account No. 82, "Injuries and Damages?"

Answer. The payment should be charged to account No. 82, "Injuries and Damages." (See Cases 16 and 150.)

CASE 75.

Query. Please advise if premiums paid to guaranty companies for bonds furnished municipalities in accordance with franchises granted for the privilege of constructing and operating railroads on the streets should be charged to account No. 83, "Insurance," in the Classification of Operating Expenses of Electric Railways. The bonds referred to are given for the faithful performance of all the terms of the fran-

chise, including the construction of the line, the payment of a percentage of the gross receipts, and in some instances the maintenance and operation. The bonds are continuous and run during the life of the franchise.

Answer. Such payments should be charged to account No. 44, "Miscellaneous," in the Classification of Expenditures for Road and Equipment of Electric Railways, when the payments are incurred in connection with construction work; and to account No. 79, "Miscellaneous General Expenses," in the Classification of Operating Expenses of Electric Railways, when the payments are incurred in connection with operation.

CASE 76.

Query. In the text of the Classification of Operating Expenses of Electric Railways no specific mention is made of the expenses of maintenance of dams, reservoirs, canals, and pipe lines feeding hydraulic generating plants. What disposition is to be made of this class of expenses?

Answer. The text of account No. 30, "Power-Plant Equipment," reads, "cost of material used and labor expended in repairing and renewing steam, water power, gas engine, or electric-plant equipment." In the absence of specific directions, it has been decided that the cost of maintaining dams, reservoirs, canals, and pipe lines feeding hydraulic generating plants should be charged to this account.

CASE 77.

Query. This company uses large numbers of portable iron signs, which are hooked on the front of the cars to indicate their destination. They are in nowise permanent fixtures of the cars, but are used on different cars as occasion requires. On some of our new cars we have adjustable signs which consist of rolls with various destinations painted thereon and are attached to the cars themselves. To which accounts should the cost of these signs be charged?

Answer. The portable signs should be charged to account No. 63, "Miscellaneous Car-Service Expenses," and the adjustable signs attached to the cars to account No. 32, "Passenger and Combination Cars."

CASE 78.

Query. To what account should be charged the cost of removing water resulting from the melting of snow on city streets?

Answer. To account No. 12, "Removal of Snow, Ice, and Sand."
(See Case 87.)

CASE 79.

Query. Should the wages of engineers and other employees engaged in operating power stations and substations be charged to repair accounts when engaged in making minor repairs during their regular hours?

Answer. It is not intended that any portion of the wages of engineers and other employees engaged in station operation should be charged to repair accounts when they are engaged incidentally during their regular shifts in making minor repairs.

As a general rule, it is not necessary to distribute the wages of a regular employee to the several accounts affected if part of his time is devoted only incidentally to repair work. If, however, he is required to devote a considerable part of his time to such repairs, his wages should be apportioned to the proper accounts in accordance with the work performed.

CASE 80.

Query. To what account should be charged the cost of printing tariffs, and the cost of printing orders for conductors and motormen in connection with transportation rules, regulations, etc.?

Answer. To account No. 84, "Stationery and Printing."

CASE 81.

Query. Much of our track is located on streets with macadam surface. Should the cost of repairing the macadam be charged to "Paving" or to "Miscellaneous Roadway and Track Expenses?"

Answer. To account No. 9, "Paving."

CASE 82.

Query. We have a track that is "plain back filled," that is, filled with crushed stone to the top of the rails. Should the cost of this filling be charged to account No. 2, "Ballast," or account No. 10, "Miscellaneous Roadway and Track Expenses?" Strictly speaking, it is not ballast, although it would be hard to separate it from ballast in many instances.

Answer. The cost of filling track with crushed stone to the top of the rails should be charged, when done in connection with maintenance, to account No. 2, "Ballast," and account No. 8, "Roadway and Track Labor."

CASE 83.

Query. Under our contract for carrying the mail we are required to transfer the mail at certain points from the cars to the post-office. To what account shall we charge the cost of this service?

Answer. Specific payments for this service should be charged to account No. 72, "Other Transportation Expenses."

CASE 84.

Query. Since commencing operation we have adopted the policy, in connection with our work-car service, of charging our several departments with the use of work cars at the rate of 65 cents per car hour. This has been done for the reason that we have had to do considerable hauling for the contractors who built the road. We have also charged each department in order that the department head would have it brought more forcibly to his attention that it was the desire of the management that the work cars be used as little as possible. This charge of 65 cents per hour has been credited—50 cents to "Purchased Power" and 15 cents to "Miscellaneous Revenue," which division is based upon an estimate of the amount of power used and the amount necessary to compensate the company for loss through wear and tear, etc. Is this correct?

Answer. No charge should be made against maintenance or other operating accounts for the use of work cars. In the case of cars used on construction work by the company itself, if charge is made against construction accounts it should be as near actual cost as possible, and credit should be given to revenue account No. 9, "Miscellaneous Transportation Revenue." When a charge is made against a contractor for use of equipment, credit should be given to account No. 9. Wages of conductors, motormen, and other employees engaged in this service should be charged to account No. 62, "Miscellaneous Car-Service Employees." (See Cases 33 and 45.)

CASE 85.

Query. Notes under operating expense accounts Nos. 3, 4, 5, and 6 provide that the cost of labor of unloading shall be charged to account No. 8. If this refers to the first handling of material from cars or boats to yards or docks, it will be difficult, if not impossible, to separate that portion properly chargeable to operating expenses from that chargeable to expenditures for road, as we will not be in a position when the material is received to tell which part of the material will be used in repairs and which part in construction. This labor has

always been considered as part of the cost of material. Should it not be so considered?

Answer. The notes under the accounts mentioned do not refer to the first handling of material from cars or boats to yards or docks but to the unloading at the points where the material is to be used. The cost of the first handling, to which you refer, is properly chargeable to the cost of the material.

CASE 86.

Query. Should the cost of labor and materials, such as special grubbing tools, liquid weed-killer, and sprinkling devices, used in clearing track of weeds, be charged to account No. 11, "Cleaning and Sanding Tracks?"

Answer. The material should be charged to account No. 10, "Miscellaneous Roadway and Track Expenses," and the labor to account No. 8, "Roadway and Track Labor."

CASE 87.

Query. May we charge the cost of removing flood water from tracks, including maintenance in connection with track drainage, to "Removal of Snow, Ice, and Sand?" If not, what account should be charged?

Answer. The cost of material used in removing flood water from track should be charged to account No. 10, "Miscellaneous Roadway and Track Expenses," and the labor to account No. 8, "Roadway and Track Labor," except as provided in Case 78.

CASE 88.

Query. Should the cost of placing and removing portable snow fences be charged to "Removal of Snow, Ice, and Sand" or to "Crossings, Fences, Cattle Guards, and Signs?"

Answer. To account No. 12, "Removal of Snow, Ice, and Sand."

CASE 89.

Query. To what account should be charged the cost of planks used in crossings of steam railroads in city streets?

Answer. If the planks are used in maintenance, the cost should be charged to account No. 16, "Crossings, Fences, Cattle Guards, and Signs," in the Classification of Operating Expenses of Electric Railways; if used in construction, to account No. 16, "Crossings, Fences, Cattle Guards, and Signs," in the Classification of Expenditures for Road and Equipment of Electric Railways.

CASE 90.

Query. To what account should be charged the cost of wooden plugs used for filling spike holes in ties?

Answer. To account No. 3, "Ties."

CASE 91.

Query. Should the wages of levermen on derailleurs at steam railroad crossings be charged to "Miscellaneous Car-Service Employees" or to "Operation of Signal and Interlocking Systems?"

Answer. Should be charged to account No. 68, "Operation of Signal and Interlocking Systems."

CASE 92.

Query. Should the wages of blacksmiths and helpers and cost of coal and other supplies for track shop be charged to "Shop Expenses" or to "Miscellaneous Roadway and Track Expenses?"

Answer. The expense of such labor should be charged to account No. 8, "Roadway and Track Labor," and supplies used solely in track maintenance should be charged to account No. 10, "Miscellaneous Roadway and Track Expenses."

CASE 93.

Query. To what account should be charged cost of removing car ashes from car to dump?

Answer. If removal is made by company employees, the cost should be charged to account No. 66, "Carhouse Employees;" otherwise, to account No. 63, "Miscellaneous Car-Service Expenses."

CASE 94.

Query. Please advise whether the salaries of accounting department clerks engaged in handling the accounts of the Maintenance of Way, Mechanical, and Stores departments should be charged to account No. 74, "Salaries and Expenses of General Office Clerks" or apportioned to account No. 1, "Superintendence of Way and Structures," account No. 29, "Superintendence of Equipment," and account No. 85, "Store Expenses."

Answer. Assuming that the clerks in question, although exclusively engaged in handling the accounts pertaining to separate departments, are employed in the general accounting office, their salaries should be charged to account No. 74, "Salaries and Expenses of General Office Clerks."

CASE 95.

Query. Should amounts paid to cities for licenses to operate cars within city limits, and payments based on percentage of gross receipts in accordance with the terms of franchises, be charged to Taxes or to the Income Account?

Answer. Payments to municipalities for privilege of operating cars (license tax) and payments of a percentage of operating revenues in accordance with terms of franchises (franchise tax) should both be charged to "Taxes" under "Deductions from Income." (See Cases 32 and 37.)

CASE 96.

Query. A ruling is desired as to the proper accounts to be charged with amounts paid for telephone service, such as for tolls, and for rent of private lines and operating systems. They appear to be in the nature of miscellaneous expenses chargeable to the department for whose benefit the expenses are incurred.

Answer. Rent of telephone lines used primarily for the operation of cars should be charged to account No. 69, "Operation of Telephone and Telegraph Systems." All other telephone expenses should be charged to account No. 79, "Miscellaneous General Expenses."

CASE 97.

Query. At different points on our line we have electric lights, some of which have been installed in accordance with our franchise agreements, others because of the necessity of providing lights for the safety of our passengers. To what account should the labor and material used in repairing and renewing such lights be charged?

Answer. The cost of repairing and renewing lights, either in accordance with franchise agreements or for the purpose of avoiding accidents, should be charged to account No. 72, "Other Transportation Expenses." In the case of lights installed at stations owned by a company, the cost of repairing and renewing wiring in connection with such lights should be charged to account No. 25, "Buildings and Structures," and the cost of renewing the lamps to account No. 65, "Station Expenses." If, however, the station is rented, the entire expense should be charged to account No. 65. If it is not practicable to separate the expense of renewing and repairing the wiring from that of renewing the lamps at stations owned by a company, the entire cost may be included in account No. 65.

CASE 98.

Query. Our franchise for the use of a county bridge carries an obligation to pay a proportion of the cost of bridge maintenance and operation. How shall we charge such payments?

Answer. The cost of maintaining a bridge used under long term lease or franchise should be treated the same as maintenance of property owned. With this understanding, the maintenance of the bridge in question should be charged to account No. 15, "Bridges, Trestles, and Culverts," and the cost of any paving done should be charged to account No. 9, "Paving." The wages of bridge tenders should be charged to account No. 62, "Miscellaneous Car-Service Employees."

CASE 99.

Query. What is the proper distribution of cost of patterns used in making castings? In some cases these patterns were made for cars being built and are carried in stock and used for making repair parts when necessary. In other cases the patterns are made entirely for casting repair parts. Is it proper to charge the cost of the patterns to the cost of the equipment, built in the first instance, and to the cost of repairing the equipment in the second instance, or should the patterns be treated as hand tools and machine tools?

Answer. The cost of patterns made expressly for the casting of repair parts should be included in the cost of repairing equipment. The cost of patterns originally made for cars constructed by a company should be included in the cost of the equipment.

CASE 100.

Query. Referring to accounts Nos. 7, "Rails, Rail Fastenings, and Joints," and 8, "Special Work," in the Classification of Expenditures for Road and Equipment of Electric Railways, kindly advise to which of these accounts should be charged the cost of guard rails placed around plain curves in main tracks where there are no frogs, switches, cross-overs, or other special work in connection therewith. Does account No. 8, "Special Work," include cost of any guard rails except those used in connection with railroad crossings, cross-overs, frogs, switches, turn-outs, or other parts of track made to order?

Answer. The cost of guard rails placed around plain curves in main tracks where there are no frogs, switches, cross-overs, or other special work in connection therewith should be charged to account No. 7, "Rails, Rail Fastenings, and Joints." Account No. 8, "Special Work,"

should include the cost of only such guard rails as are used in connection with railroad crossings, cross-overs, frogs, switches, turn-outs, and other portions of the track made to order. (*See Case 25.*)

CASE 101.

Query. We are required by city ordinance to cut and replace overhead wires when it is necessary to move any building across or along our streets. Is this a proper charge to operating expenses or to income?

Answer. Such expenses should be charged to account No. 24, "Miscellaneous Electric Line Expenses."

CASE 102.

Query. This company owns ferry slips at a wharf in connection with which we have considerable maintenance expenses. Should we charge to a subaccount under No. 19, "Other Miscellaneous Way Expenses," or to account No. 25, "Buildings and Structures?" At the end of the wharf are fuel oil tanks for the operation of our ferry. Should we charge maintenance expenses to account No. 19, "Other Miscellaneous Way Expenses," or to account No. 25, "Buildings and Structures?"

Answer. Expenses of maintenance of ferry slips and ferry fuel oil tanks should be charged to account No. 25, "Buildings and Structures."

CASE 103.

Query. Is it necessary for a carrier operating a ferry to separate its general and miscellaneous operating expenses between railway and ferry?

Answer. No.

CASE 104.

Query. To what account should be charged tools other than track tools, such as wheelbarrows, hose, level boards, paving hammers, hydrant wrenches and reducers, mattocks, hand axes, rail tongs, etc., purchased for construction work?

Answer. These tools should be charged to the construction work for use upon which they are issued, and if after the completion of the work the tools have any salvage value, it should be credited to the work to which the tools were originally charged, and charged to the work to which the tools are thereafter applied.

CASE 105.

Query. To what account should be charged the cost of track inlets for surface water and their sewer connections?

Answer. To account No. 10, "Paving," in the Classification of Expenditures for Road and Equipment of Electric Railways.

CASE 106.

Query. Kindly advise the proper distribution of the following named expenses:

(1) Cost of uniforms donated to conductors and motormen who have been in service for a certain number of years.

(2) Cost of uniforms and badges for inspectors and car starters whose time is chargeable to account No. 48.

(3) Trustees' commissions and fees for paying out bond interest on clipped coupons, and expenses, including registrars' fees, connected with same.

(4) Premium on fidelity bonds of employees.

(5) Fees for filing annual reports with the State.

(6) Cost of free entertainments given employees.

(7) Cost of general audit of company's books by an audit company.

Answer. The items described should be charged under the Classification of Operating Expenses of Electric Railways as follows:

(1) To account No. 63, "Miscellaneous Car-Service Expenses."

(2) To account No. 48, "Superintendence of Transportation."

(3) To account No. 79, "Miscellaneous General Expenses."

(4) To account No. 83, "Insurance."

(5), (6), (7) To account No. 79, "Miscellaneous General Expenses."

CASE 107.

Query. Is it intended that items properly chargeable to account No. 39, "Shop Expenses," in the Classification of Operating Expenses of Electric Railways, are to remain as charged or may they be distributed in the same manner as store expenses?

Answer. It is not intended that the items contained in account No. 39, "Shop Expenses" should be distributed to the various operating accounts benefited thereby. However, if any portion of shop expenses is properly chargeable to road and equipment, such portion should be deducted from account No. 39, "Shop Expenses," since that account should represent only the portion chargeable to operating expenses.

CASE 108.

Query. To what account should be credited the value of coupons from mileage books which for any reason remain unrepresented?

Answer. To account No. 1, "Passenger Revenue."

CASE 109.

Query. Is there any objection to the creation of a reserve fund to take care of settlements of loss and damage claims filed by shippers of freight? The intention is to make charges of an arbitrary amount so

as to take care of claims of this nature during the period within which the damage is done.

Answer. There is no objection to including in operating expenses each month a proportion of the total amount which it is estimated will be necessary to expend on account of loss and damage claims, provided that the charges are adjusted annually so far as practicable.

CASE 110.

Query. To what account should be charged the expense of moving the poles of another company which were located closer to our tracks than we deemed safe, and which we moved back to give proper clearance? When the line was originally constructed the location was presumably all right, but in the course of time, in consequence of operating larger cars and at an increased speed, the present management did not consider the clearance sufficient.

Answer. It is proper to charge the cost of this work to account No. 2, "Right of Way," in the Classification of Expenditures for Road and Equipment of Electric Railways, unless the amount involved is insignificant. In case it is decided to charge the cost to operating expenses, it should be charged to account No. 19, "Other Miscellaneous Way Expenses."

CASE 111.

Query. To what account should be charged the salaries of clerks employed in compiling data and making out reports to the Public Service Commission, State Board of Tax Commissioners, Department of Commerce and Labor, etc.? To what account should the salaries of engineers employed in compiling data in regard to way and structures for such reports be charged?

Answer. The salaries of clerks should be charged to account No. 74, "Salaries and Expenses of General Office Clerks." The salaries of engineers should be charged to account No. 1, "Superintendence of Way and Structures."

CASE 112.

Query. To what account should be charged amounts paid to the United States Government for the right to operate a line across a government reservation?

Answer. If the cars have a private right of way over the government reservation, the payments should be charged to operating expense account No. 19, "Other Miscellaneous Way Expenses." If the line runs in a highway which the Government allows other people to use, the payments should be charged to "Taxes." (See Cases 32 and 37.)

CASE 113.

Query. Frequently when streets upon which rails are laid are torn up for repairs it is necessary for passengers to change from cars on one side of the break in the street to cars on the other side, and men are stationed at the break to care for the cars, to assist the passengers if required, and to perform any other duties in connection therewith. The men employed for this work are not regular car-service employees. To what account should their wages be charged?

Answer. To account No. 62, "Miscellaneous Car-Service Employees."

CASE 114.

Query. To what account should be charged the cost of filling land?

Answer. The cost of filling land, in the ordinary acceptance of the term, should be added to the cost of the land.

CASE 115.

Query. To what account should be charged the cost of painting or stenciling numbers on poles for the purpose of identification and record?

Answer. The cost of first painting or stenciling numbers on poles should be charged to account No. 19, "Poles and Fixtures," in the Classification of Expenditures for Road and Equipment of Electric Railways. Renewals should be charged to account No. 20, "Poles and Fixtures," in the Classification of Operating Expenses of Electric Railways. It is not the intention that carriers should be required to charge insignificant amounts to construction accounts.

CASE 116.

Query. A town in granting a franchise for the construction of a new line on the streets, requires the railway company to set back the curbs and flags. The work is not necessary for the construction of the road itself, as there is plenty of room on the highway without setting back the curbs. To what account in the Classification of Expenditures for Road and Equipment of Electric Railways should such expenditures be charged?

Answer. Expenditures of this nature should be charged to account No. 2, "Right of Way." In case there is any paving to be done in connection with this work, the cost of such paving should be charged to account No. 10, "Paving," in the same classification. (*See Case 60.*)

CASE 117.

Query. To what accounts should the following items be charged?

(1) City assessment for street grade crossing our right of way, being our proportion for the right of way abutting street and extending back from the street.

(2) City assessment for new trunk sewer, being the amount charged us for our proportion based on right of way through the section served by the sewer.

(3) City assessment for new street pavement, being our proportion of paving inside and alongside our tracks on streets on which our track is laid, the streets not having been previously paved.

(4) Cost of installing new crossings when new streets are opened.

Answer. The items described should be charged under the Classification of Expenditures for Road and Equipment of Electric Railways as follows:

(1) To account No. 16, "Crossings, Fences, Cattle Guards, and Signs."

(2) To account No. 2, "Right of Way."

(3) To account No. 10, "Paving."

(4) To account No. 16, "Crossings, Fences, Cattle Guards, and Signs."

CASE 118.

Query. To what account should be charged the expense of an examination of titles of real property, and other questions affecting the validity of an issue of bonds?

Answer. To account No. 44, "Miscellaneous," in the Classification of Expenditures for Road and Equipment of Electric Railways.

CASE 119.

Query. To what account should be charged fees paid to an engineering corporation for supervising and managing the operation of an electric railway company?

Answer. To account No. 73, "Salaries and Expenses of General Officers," in the Classification of Operating Expenses of Electric Railways.

CASE 120.

Query. A State assesses railway corporations each year a certain amount graduated on basis of capital stock. To what account should the assessment be charged, or should it be treated as a deduction from Income, as provided for taxes?

Would this apply to a franchise assessment of a percentage of gross earnings, levied under city ordinance?

Would it apply to what is known as a license tax levied by a city, based on a certain fixed charge per car for the number of cars operated in the city?

Answer. State taxes assessed against railway corporations, the amount of which is graduated on a basis of capital stock, franchise taxes levied on operating revenues, and license taxes based on the number of cars operated in a city should be charged to "Taxes" in the Income Account.

CASE 121.

Query. By reason of the construction of a sewer in a street occupied by an electric railway's tracks, it becomes necessary to lay a temporary track around the break in the regular line in order to maintain regular running schedule and avoid compelling the passengers to make a change of cars at that point.

Should the cost of laying and removing the temporary track be charged to account No. 19, "Other Miscellaneous Way Expenses," or to account No. 63, "Miscellaneous Car-Service Expenses?"

Answer. The cost of temporary track made necessary by the removal of tracks for the purpose of laying a sewer should be charged to account No. 19, "Other Miscellaneous Way Expenses."

CASE 122.

Query. To what account should be charged the cost of "cattle passes," which are in the nature of undergrade crossings?

Answer. To account No. 16, "Crossings, Fences, Cattle Guards, and Signs," in the Classification of Expenditures for Road and Equipment of Electric Railways.

CASE 123.

Query. To what account should be charged the cost of putting in iron-pipe culverts for drainage purposes?

Answer. To account No. 15, "Bridges, Trestles, and Culverts," in the Classification of Expenditures for Road and Equipment of Electric Railways.

CASE 124.

Query. A blast, set off by a concern doing work for itself, so damaged our high-tension system as to cause a good many interruptions in the power and consequently our car service was somewhat delayed for several hours.

In addition to reimbursing us for the expense of restoring the high-tension system to its original condition, the concern has agreed to pay us a certain sum of money to reimburse us for the estimated loss of business suffered from the interruption of our service.

To what account shall we credit the amount paid to us for the estimated loss of business?

Answer. The amount may be credited to account No. 9, "Miscellaneous Transportation Revenue." Strictly speaking, this is not a transportation revenue, but as it is paid to replace what is conceded to be a transportation revenue, it may be so considered.

CASE 125.

Query. We are carrying in "Suspense" an amount paid to a trust company for certification of bonds. To what account should same be charged?

Answer. Payments to trustees for certification of bonds issued for construction purposes should be charged to account No. 44, "Miscellaneous," in the Classification of Expenditures for Road and Equipment of Electric Railways.

CASE 126.

Query. We are constructing a new power station which is to be operated by steam turbines. The water for the condensers in this station is to be obtained from a pool in a near-by river to be formed by a dam at or near the station. To what account should be charged the cost of the dam and the pipes conveying the water from the pool to the condensers?

Answer. The cost of the dam as well as the cost of the pipes used in conveying the water from the pool formed by the dam should be charged to account No. 30, "Power-Plant Equipment," in the Classification of Expenditures for Road and Equipment of Electric Railways.

CASE 127.

Query. The salary of superintendent of power is included in account No. 48, "Superintendence of Transportation," in the Classification of Operating Expenses of Electric Railways. We have always included the salary of superintendent of power in power-house expenses. In view of the fact that we operate in one state only, kindly advise if we would not be justified in continuing this practice?

Answer. Under the classifications issued by this Commission it would not be proper for you to eliminate the salary and office and traveling expenses of the superintendent of power from account No. 48, "Super-

intendence of Transportation" and include in some other account under Group I, "Power."

However, there would be no objection to carrying such expenses as a subaccount under account No. 48, and for your own convenience including such subaccount under Group I, "Power."

CASE 128.

Query. To what account should be charged fees paid to directors?

Answer. To account No. 79, "Miscellaneous General Expenses," in the Classification of Operating Expenses of Electric Railways.

CASE 129.

Query. To what account should be credited the proceeds of an annual tax voted to a carrier by the districts through which the carrier operates?

Answer. This should not be credited to operating revenues but should be handled through the Income Account.

CASE 130.

Query. To what account in the Classification of Expenditures for Road and Equipment of Electric Railways should be cleared "Rent and Operation of Equipment" (the operation of a rented locomotive, pile driver, etc., used in bridge and track work), "Miscellaneous General Expenses," and "Law Expenses?"

Answer. The account "Rent and Operation of Equipment" should be cleared to account No. 11, "Track Laying and Surfacing," and account No. 15, "Bridges, Trestles, and Culverts," unless a portion of the expense is directly chargeable to some other primary account in the Classification of Expenditures for Road and Equipment of Electric Railways. Assuming that the account "Miscellaneous General Expenses" covers expenditures properly chargeable to account No. 44, "Miscellaneous," this account as well as the account "Law Expenses" (see account No. 40), should be carried as primary accounts under General Account III—"General Expenditures."

CASE 131.

Query. To what account should be credited revenue from express traffic handled under a contract with an express company, the railway company owning the cars and charging the express company on a mileage basis?

Answer. To account No. 5, "Express Revenue," in the Classification of Operating Revenues of Electric Railways. The revenue re-

ceived covers compensation for the handling of express traffic exclusively and should be treated accordingly, regardless of the arrangement or basis upon which the compensation is fixed.

CASE 132.

Query. Would it be proper to charge to road and equipment account No. 8, "Special Work," the cost of labor and material used in running a wire from a substation to several of our sidings for the purpose of turning on electric switch lights at said sidings by means of a switch at the substation?

Answer. No. The cost should be charged to account No. 17, "Interlocking and Other Signal Apparatus," in the Classification of Expenditures for Road and Equipment of Electric Railways. However, it is not the intention that carriers should be required to capitalize insignificant amounts.

CASE 133.

Query. To what accounts should be charged the cost of maintenance and operation of machinery in air compressor stations, used for charging storage tanks for air brakes?

Answer. The cost of maintenance should be charged to account No. 38, "Shop Machinery and Tools," and the cost of operation to account No. 63, "Miscellaneous Car-Service Expenses."

CASE 134.

Query. To what accounts should be charged the cost of construction and maintenance of conduits and fixtures, built from a compressor station (located a block or so away from the main line) to a point alongside of the track, the conduits being used for conveying the compressed air to be used on cars on account of air brakes?

Answer. The cost of construction should be charged to account No. 32, "Shop Equipment," in the Classification of Expenditures for Road and Equipment of Electric Railways, and the cost of maintenance to account No. 38, "Shop Machinery and Tools," in the Classification of Operating Expenses of Electric Railways.

CASE 135.

Query. To what account should be credited interest earned on bank balances?

Answer. To "Interest on Deposits" in the Income Account.

CASE 136.

Query. In a certain system of side-bracket construction, the trolley is suspended by a short wire attached to the bracket. Is this piece of wire a part of the bracket and so chargeable to account No. 20, "Poles and Fixtures," or is it a span wire and so chargeable to account No. 23, "Distribution System?"

Answer. The wire is a part of the bracket and the cost of maintenance should be charged to account No. 20, "Poles and Fixtures," in the Classification of Operating Expenses of Electric Railways.

CASE 137.

Query. Should not account No. 5, "Ballast," in the Classification of Expenditures for Road and Equipment of Electric Railways, provide for a separate account to cover ballast produced as is provided in the Classification of Operating Expenses of Electric Railways?

Answer. If the entire cost of ballast produced is chargeable to road and equipment, it could be properly charged to account No. 5, "Ballast." If, however, the ballast produced is partly chargeable to road and equipment and partly to operating expenses, Note B, under account No. 2, "Ballast," in the Classification of Operating Expenses of Electric Railways, would apply.

CASE 138.

Query. Where track has been laid in an unimproved street under an ordinance which requires the carrier to pay its proportion of the paving when the city paves, should not this proportion be charged to account No. 10, "Paving," in the Classification of Expenditures for Road and Equipment of Electric Railways, even when the proportion is included in a special assessment and spread over a period of years?

Answer. Yes.

CASE 139.

Query. Should the cost of macadamizing a road or filling a dirt road up to the head of the rail be considered paving and charged to account No. 10, "Paving," in the Classification of Expenditures for Road and Equipment of Electric Railways, or should it be charged to account No. 11, "Track Laying and Surfacing," in the same classification?

Answer. The cost of macadamizing should be charged to account No. 10, "Paving," and the cost of filling the dirt road up to the head of the rail should be charged to account No. 5, "Ballast."

CASE 140.

Query. Would you charge to account No. 15, "Bridges, Trestles, and Culverts," in the Classification of Expenditures for Road and Equipment of Electric Railways, the cost of a trestle used to handle coal when the coal is handled in the carrier's own cars and over its own road, and the trestle is used to secure sufficient elevation to dump the coal into coal pockets?

Answer. If the coal pocket is primarily for power station or generating uses the cost of the trestle should be charged to account No. 24, "Power-Plant Buildings." If the coal pocket can not be considered a part of the power plant the cost of the trestle should be charged to account No. 28, "Stations, Waiting Rooms, and Miscellaneous Buildings." (See Case 144).

CASE 141.

Query. When rails are drilled at the mill for bonding and the cost is included in the price paid for the rails, should the entire cost be included in account No. 7, "Rails, Rail Fastenings, and Joints," in the Classification of Expenditures for Road and Equipment of Electric Railways?

Answer. Yes.

CASE 142.

Query. To what account should be charged the amount of conductors' remittances stolen from a safe provided by a carrier?

Answer. To account No. 79, "Miscellaneous General Expenses," in the Classification of Operating Expenses of Electric Railways.

CASE 143.

Query. When the general office is a part of the carhouse and occupies say, the second story, how should the cost of the general office be charged?

Answer. The cost should be charged to account No. 27, "Shops and Carhouses," in the Classification of Expenditures for Road and Equipment of Electric Railways.

CASE 144.

Query. Should the cost of a coal pocket be charged to account No. 24, "Power-Plant Buildings," in the Classification of Expenditures for Road and Equipment of Electric Railways, as a building used in power generation, or to account No. 27, "Shops and Carhouses" as a storehouse, or to account No. 28, "Stations, Waiting Rooms, and Miscellaneous Buildings" as a building not otherwise provided for?

CASE 136.

Query. In a certain system of side-bracket construction, the trolley is suspended by a short wire attached to the bracket. Is this piece of wire a part of the bracket and so chargeable to account No. 20, "Poles and Fixtures," or is it a span wire and so chargeable to account No. 23, "Distribution System?"

Answer. The wire is a part of the bracket and the cost of maintenance should be charged to account No. 20, "Poles and Fixtures," in the Classification of Operating Expenses of Electric Railways.

CASE 137.

Query. Should not account No. 5, "Ballast," in the Classification of Expenditures for Road and Equipment of Electric Railways, provide for a separate account to cover ballast produced as is provided in the Classification of Operating Expenses of Electric Railways?

Answer. If the entire cost of ballast produced is chargeable to road and equipment, it could be properly charged to account No. 5, "Ballast." If, however, the ballast produced is partly chargeable to road and equipment and partly to operating expenses, Note B, under account No. 2, "Ballast," in the Classification of Operating Expenses of Electric Railways, would apply.

CASE 138.

Query. Where track has been laid in an unimproved street under an ordinance which requires the carrier to pay its proportion of the paving when the city paves, should not this proportion be charged to account No. 10, "Paving," in the Classification of Expenditures for Road and Equipment of Electric Railways, even when the proportion is included in a special assessment and spread over a period of years?

Answer. Yes.

CASE 139.

Query. Should the cost of macadamizing a road or filling a dirt road up to the head of the rail be considered paving and charged to account No. 10, "Paving," in the Classification of Expenditures for Road and Equipment of Electric Railways, or should it be charged to account No. 11, "Track Laying and Surfacing," in the same classification?

Answer. The cost of macadamizing should be charged to account No. 10, "Paving," and the cost of filling the dirt road up to the head of the rail should be charged to account No. 5, "Ballast."

CASE 140.

Query. Would you charge to account No. 15, "Bridges, Trestles, and Culverts," in the Classification of Expenditures for Road and Equipment of Electric Railways, the cost of a trestle used to handle coal when the coal is handled in the carrier's own cars and over its own road, and the trestle is used to secure sufficient elevation to dump the coal into coal pockets?

Answer. If the coal pocket is primarily for power station or generating uses the cost of the trestle should be charged to account No. 24, "Power-Plant Buildings." If the coal pocket can not be considered a part of the power plant the cost of the trestle should be charged to account No. 28, "Stations, Waiting Rooms, and Miscellaneous Buildings." (See Case 144).

CASE 141.

Query. When rails are drilled at the mill for bonding and the cost is included in the price paid for the rails, should the entire cost be included in account No. 7, "Rails, Rail Fastenings, and Joints," in the Classification of Expenditures for Road and Equipment of Electric Railways?

Answer. Yes.

CASE 142.

Query. To what account should be charged the amount of conductors' remittances stolen from a safe provided by a carrier?

Answer. To account No. 79, "Miscellaneous General Expenses," in the Classification of Operating Expenses of Electric Railways.

CASE 143.

Query. When the general office is a part of the carhouse and occupies say, the second story, how should the cost of the general office be charged?

Answer. The cost should be charged to account No. 27, "Shops and Carhouses," in the Classification of Expenditures for Road and Equipment of Electric Railways.

CASE 144.

Query. Should the cost of a coal pocket be charged to account No. 24, "Power-Plant Buildings," in the Classification of Expenditures for Road and Equipment of Electric Railways, as a building used in power generation, or to account No. 27, "Shops and Carhouses" as a storehouse, or to account No. 28, "Stations, Waiting Rooms, and Miscellaneous Buildings" as a building not otherwise provided for?

CASE 136.

Query. In a certain system of side-bracket construction, the trolley is suspended by a short wire attached to the bracket. Is this piece of wire a part of the bracket and so chargeable to account No. 20, "Poles and Fixtures," or is it a span wire and so chargeable to account No. 23, "Distribution System?"

Answer. The wire is a part of the bracket and the cost of maintenance should be charged to account No. 20, "Poles and Fixtures," in the Classification of Operating Expenses of Electric Railways.

CASE 137.

Query. Should not account No. 5, "Ballast," in the Classification of Expenditures for Road and Equipment of Electric Railways, provide for a separate account to cover ballast produced as is provided in the Classification of Operating Expenses of Electric Railways?

Answer. If the entire cost of ballast produced is chargeable to road and equipment, it could be properly charged to account No. 5, "Ballast." If, however, the ballast produced is partly chargeable to road and equipment and partly to operating expenses, Note B, under account No. 2, "Ballast," in the Classification of Operating Expenses of Electric Railways, would apply.

CASE 138.

Query. Where track has been laid in an unimproved street under an ordinance which requires the carrier to pay its proportion of the paving when the city paves, should not this proportion be charged to account No. 10, "Paving," in the Classification of Expenditures for Road and Equipment of Electric Railways, even when the proportion is included in a special assessment and spread over a period of years?

Answer. Yes.

CASE 139.

Query. Should the cost of macadamizing a road or filling a dirt road up to the head of the rail be considered paving and charged to account No. 10, "Paving," in the Classification of Expenditures for Road and Equipment of Electric Railways, or should it be charged to account No. 11, "Track Laying and Surfacing," in the same classification?

Answer. The cost of macadamizing should be charged to account No. 10, "Paving," and the cost of filling the dirt road up to the head of the rail should be charged to account No. 5, "Ballast."

CASE 140.

Query. Would you charge to account No. 15, "Bridges, Trestles, and Culverts," in the Classification of Expenditures for Road and Equipment of Electric Railways, the cost of a trestle used to handle coal when the coal is handled in the carrier's own cars and over its own road, and the trestle is used to secure sufficient elevation to dump the coal into coal pockets?

Answer. If the coal pocket is primarily for power station or generating uses the cost of the trestle should be charged to account No. 24, "Power-Plant Buildings." If the coal pocket can not be considered a part of the power plant the cost of the trestle should be charged to account No. 28, "Stations, Waiting Rooms, and Miscellaneous Buildings." (See Case 144).

CASE 141.

Query. When rails are drilled at the mill for bonding and the cost is included in the price paid for the rails, should the entire cost be included in account No. 7, "Rails, Rail Fastenings, and Joints," in the Classification of Expenditures for Road and Equipment of Electric Railways?

Answer. Yes.

CASE 142.

Query. To what account should be charged the amount of conductors' remittances stolen from a safe provided by a carrier?

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Query. When the general office is a part of the carhouse and occupies, say, the second story, how should the cost of the general office be charged?

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Query. Should the cost of a coal pocket be charged to account No. 24, "Power-Plant Buildings," in the Classification of Expenditures for Road and Equipment of Electric Railways, as a building used in power generation, or to account No. 27, "Shops and Carhouses" as a storehouse, or to account No. 28, "Stations, Waiting Rooms, and Miscellaneous Buildings" as a building not otherwise provided for?

Answer. If the coal pocket is primarily for power station or generating uses, its cost should be charged to account No. 24, "Power-Plant Buildings." If the coal pocket can not be considered a part of the power plant, the cost should be charged to account No. 28, "Stations, Waiting Rooms, and Miscellaneous Buildings." (See Case 140.)

CASE 145.

Query. To what account should be charged the cost of snow plows, such as nose plows, etc., attached to cars?

Answer. The cost of snow plows attached to cars should be charged, under the Classification of Expenditures for Road and Equipment of Electric Railways, to account No. 35, "Cars," account No. 36, "Locomotives," or account No. 38, "Other Rail Equipment," according to the class of equipment to which the attachments are made. The cost of repairing and renewing snow plows attached to cars should be charged, under the Classification of Operating Expenses of Electric Railways, to account No. 32, "Passenger and Combination Cars," account No. 33, "Freight, Express, and Mail Cars," account No. 34, "Locomotives," or account No. 35, "Service Cars," according to the class of equipment to which the plows are attached.

CASE 146.

Query. Must account No. 25, "Buildings and Structures," in the Classification of Operating Expenses of Electric Railways, be subdivided into the subaccounts (a) to (i), or is this a permissible subdivision?

Answer. This subdivision is permissible, not compulsory.

CASE 147.

Query. To what account should be charged the cost of terminal houses erected to contain the apparatus necessary in connection with the change from high tension overhead to underground line construction?

Answer. The cost of original installation should be charged to account No. 21, "Transmission System," in the Classification of Expenditures for Road and Equipment of Electric Railways. The cost of repairs should be charged to account No. 22, "Transmission System," in the Classification of Operating Expenses of Electric Railways.

CASE 148.

Query. When a substation attendant who has little or nothing to do, but must be on duty in case a circuit breaker goes out, also sells tickets,

handles express, etc., and generally acts as station agent, must his salary be apportioned, and if so, on what basis?

Answer. The salary of such an employee should be apportioned among the accounts affected. It is not intended, however, to be too strict in a matter of this kind, and if the circumstances are such that any account could, with propriety, stand the entire expense, there would be no objection to following such a course.

CASE 149.

Query. When headlights, markers, etc., are cared for and handled at the general office, say, a mile from the carhouse, and the man who does this work also handles baggage and express matter, and acts as janitor of the building, must his wages be apportioned, and, if so, on what basis?

Answer. The salary of such an employee should be apportioned among the accounts affected. It is not intended, however, to be too strict in a matter of this kind, and if the circumstances are such that any account could, with propriety, stand the entire expense, there would be no objection to following such a course.

CASE 150.

Query. A conductor on duty is stabbed by a drunken passenger without any fault or negligence whatever on the part of the carrier. He has been a faithful employee and it has been decided to pay him for the time lost during the resulting illness. Should the amount be charged to account No. 79, "Miscellaneous General Expenses," or to account No. 82, "Injuries and Damages?"

Answer. To account No. 82, "Injuries and Damages." (See Cases 16 and 74.)

CASE 151.

Query. A conductor is knocked from a crowded running board of an open car while the car is passing close to a pile of building material of the existence of which he is well aware. No negligence on the part of the company is shown or claimed. He has been a faithful employee and it has been decided to pay him for the time lost during the resulting illness. Should the amount be charged to account No. 79, "Miscellaneous General Expenses," or to account No. 82, "Injuries and Damages?"

Answer. To account No. 82, "Injuries and Damages."

CASE 152.

Query. To what account should be charged the cost of renewing a pavement taken up during construction work for the purpose of removing obstructions such as gas and sewer pipes? This paving is more or less removed from the paving described as the paving strip extending approximately two feet outside of the outside rail and between the rails, and is not maintained by the street railway company.

Answer. The cost of replacing a pavement taken up for the purpose of removing obstructions such as gas and sewer pipe, should be charged to account No. 10, "Paving," in the Classification of Expenditures for Road and Equipment of Electric Railways, whether or not such pavement is outside of the so-called paving strip maintained by the company in consequence of municipal requirements.

CASE 153.

Query. Is account No. 9, "Underground Construction," in the Classification of Expenditures for Road and Equipment of Electric Railways intended to include all labor in placing the material described, as well as the cost of material itself, including transportation?

Answer. Such labor should not be included in account No. 9, "Underground Construction," but should be charged to account No. 11, "Track Laying and Surfacing," in analogy with maintenance account No. 8, "Roadway and Track Labor."

CASE 154.

Query. Should the cost of hauling track material from the storeroom to the place where it enters into construction be regarded as a part of the labor cost covered by account No. 11, "Track Laying and Surfacing," in the Classification of Expenditures for Road and Equipment of Electric Railways?

Answer. Yes.

CASE 155.

Query. How should guard rails, walks, and railings along the tracks of elevated railways be classified?

Answer. Timber guard rails, foot walks, and railing along the tracks of elevated railways should be charged to road and equipment account No. 14, "Elevated Structures and Foundations." The reason that rails and ties are excluded from this account and put in separate accounts is, that they can be used on other roadbeds. The timber-work described, however, is peculiar to the elevated structure, and

should therefore be included in that account for the same reason that all parts of bridges and trestles, except rails, cross-ties, etc., are included in account No. 15, "Bridges, Trestles, and Culverts." in the same classification.

CASE 156.

Query. In connection with the crossing gates of a carrier there is used a cabin which contains the apparatus for operating the crossing gates. In some cases these are old cabins which were used by flagmen before the installation of crossing gates, and have simply been adapted to the new use of crossing gates; in other cases complete new cabins or towers are installed with crossing gates. Is it proper to include the cost of these cabins or towers in account No. 16, "Crossings, Fences, Cattle Guards, and Signs," in the Classification of Expenditures for Road and Equipment of Electric Railways?

Answer. Yes.

CASE 157.

Query. Should the cost of towers that contain the interlocking machinery be included in account No. 17, "Interlocking and Other Signal Apparatus," in the Classification of Expenditures for Road and Equipment of Electric Railways?

Answer. Yes.

CASE 158.

Query. This company is desirous of keeping a subaccount "Lighting System," under account No. 24, "Miscellaneous Electric Line Expenses," said account to contain the cost of maintaining the lighting system on both the elevated and the subway lines. It is the desire to show the cost of maintenance of the lighting system on both divisions in one account, which would not be possible if the cost of maintaining the lighting system of the subway were charged to account No. 13, "Tunnels," in the Classification of Operating Expenses of Electric Railways.

Answer. If the company is interested in having the cost of maintaining the lighting system included in a single item it may keep the proposed account as an apportionment account to be cleared monthly, but it would destroy the uniformity sought if the account were to be kept as a regular operating account and thus show expenses that in the case of other companies would not appear under account No. 13, "Tunnels."

CASE 159.

Query. To what account should be charged payments for rent of ground on which to place snow fences? To what account should be

charged the cost of building snow fences, as well as the expense of setting them up and removing them?

Answer. Rent of ground on which to place snow fences is chargeable to operating expense account No. 12, "Removal of Snow, Ice, and Sand."

The first installation of snow fences should be charged to road and equipment account No. 16, "Crossings, Fences, Cattle Guards, and Signs." After the first installation, the cost of building such fences, as well as the expense of setting them up and removing them, should be charged to operating expense account No. 12, "Removal of Snow, Ice, and Sand."

CASE 160.

Query. To what account should be charged expenses incidental to the trial of an ejected passenger who shot and killed one of our trainmen, and burial expenses of said trainman paid by this company?

Answer. The expenses incidental to the trial should be charged to account No. 76, "Law Expenses," and the burial expenses, if not paid from a relief association fund, should be charged to account No. 82, "Injuries and Damages."

CASE 161.

Query. To what account should be charged a ditch assessment for constructing a new ditch by which this company is partly benefited although the road has been in operation for some time?

Answer. Provision is made for the cost of ditching roadbed and ditches for waterways in account No. 4, "Grading," in the Classification of Expenditures for Road and Equipment of Electric Railways. If the ditch to which you refer is along the public highway and is not made use of in the operation of the railroad, the amount of the assessment should be charged to account No. 2, "Right of Way," in the same classification.

CASE 162.

Query. To what account should be charged the cost of sewer and drain tiles used for repairing right-of-way ditches?

Answer. To account No. 10, "Miscellaneous Roadway and Track Expenses." The cost of labor employed in making repairs, however, should be charged to account No. 8, "Roadway and Track Labor."

CASE 163.

Query. To what account should be charged the cost of pieces of glass for fronts of headlights on cars? Is this charge the same as for

globes and carbons, or is the glass considered as a repair rather than a supply?

Answer. Pieces of glass for fronts of headlights on cars should be charged under the Classification of Operating Expenses of Electric Railways to account No. 32, "Passenger and Combination Cars," account No. 33, "Freight, Express, and Mail Cars," account No. 34, "Locomotives," or account No. 35, "Service Cars," according to the class of equipment on which the glass is used. Globes and carbons used for headlights should be charged to account No. 63, "Miscellaneous Car-Service Expenses."

CASE 164.

Query. To what account should be charged the cost of trimming trees along tracks to prevent the trees from striking and scratching the sides of cars?

Answer. The cost of labor employed in trimming trees should be charged to account No. 8, "Roadway and Track Labor."

CASE 165.

Query. To what account should be charged the cost of sprinkling paved streets (other than pavement near tracks) in front of passenger and freight stations?

Answer. If the sprinkling in front of stations is performed by employees around the station, the labor should be charged to account No. 64, "Station Employees," and other expenses to account No. 65, "Station Expenses." If the service is performed by outside parties, the entire expense should be charged to account No. 65.

CASE 166.

Query. To what account should be charged the cost of hat checks furnished trainmen?

Answer. To account No. 63, "Miscellaneous Car-Service Expenses."

CASE 167.

Query. To what account should be charged the cost of tube cleaners and repair parts for cleaning scale from boiler tubes in boilers at power stations?

Answer. The cost of first installation of tube cleaners should be charged to account No. 30, "Power-Plant Equipment," in the Classification of Expenditures for Road and Equipment of Electric Railways. Replacements and repairs should be charged to account No. 30, "Power-Plant Equipment," in the Classification of Operating Expenses of Electric Railways.

CASE 168.

Query. To what account should be charged the cost of envelopes and bags used for filing canceled tickets turned in by conductors?

Answer. To account No. 84, "Stationery and Printing."

CASE 169.

Query. To what account should be charged the cost of fire extinguishers which are to be installed in passenger and freight cars, and in power stations?

Answer. The cost of first installation should be charged to account No. 35, "Cars," account No. 36, "Locomotives," or account No. 38, "Other Rail Equipment," in the Classification of Expenditures for Road and Equipment of Electric Railways, according to the class of equipment in which the fire extinguishers are installed. The cost of first installation in power stations should be charged to account No. 30, "Power-Plant Equipment," in the same classification. It is not intended, however, to require carriers to charge insignificant items to road and equipment accounts.

CASE 170.

Query. To what account should be charged the cost of renewing fire extinguishers used in passenger and freight cars and in power stations?

Answer. The cost of renewing fire extinguishers in cars should be charged to account No. 63, "Miscellaneous Car-Service Expenses," and in power plants to account No. 54, "Miscellaneous Power-Plant Supplies and Expenses."

CASE 171.

Query. To what account should be charged the cost of installing fire hose?

Answer. The cost of first installation of fire hose should be charged to the same account under road and equipment as the building in which the hose is installed. It is not intended, however, to require carriers to charge insignificant items to road and equipment accounts.

CASE 172.

Query. To what account should be charged the cost of renewing or replacing fire hose?

Answer. To account No. 25, "Buildings and Structures," in the Classification of Operating Expenses of Electric Railways.

CASE 173.

Query. To what account should be charged the expenses incurred on account of a remonstrance against constructing a new ditch along right of way?

Answer. To account No. 76, "Law Expenses."

CASE 174.

Query. To what account should be charged cost of printing milk checks for carrying milk?

Answer. To account No. 63, "Miscellaneous Car-Service Expenses."

CASE 175.

Query. To what account should be charged the cost of books purchased for a company's reference library, such as books on electric railway practice, engineering, electricity, etc.?

Answer. To account No. 79, "Miscellaneous General Expenses."

CASE 176.

Query. To what account should be charged subscriptions to electric railway periodicals?

Answer. To account No. 79, "Miscellaneous General Expenses."

CASE 177.

Query. To what account should be charged initiation fees and dues of the American Street and Interurban Railway Association?

Answer. To account No. 79, "Miscellaneous General Expenses."

CASE 178.

Query. To what account should be charged the cost of drayage at junction points when such drayage is absorbed by the carriers out of the through rate?

Answer. To account No. 7, "Freight Revenue," in the Classification of Operating Revenues of Electric Railways.

CASE 179.

Query. To what account should be charged the cost of signs on cars advertising special events?

Answer. Portable signs on cars for the purpose of attracting traffic may be charged to account No. 46, "Advertising;" if simply for the guidance of passengers they should be charged to account No. 63, "Miscellaneous Car-Service Expenses." (See Case 77.)

CASE 180.

Query. To what account should be charged amount paid by us to another traction company to cover the cost of repairing one of their cars which was damaged by one of ours?

Answer. Assuming that the damage to which you refer occurred at a crossing on account of a collision, the expense should be charged to account No. 82, "Injuries and Damages."

CASE 181.

Query. To what account should be charged the cost of incandescent lamps, wiring, fuse blocks, and fuses for the maintenance of switch lights at sidings?

Answer. The cost of lamps and fuses should be charged to account No. 68, "Operation of Signal and Interlocking Systems," and the cost of fuse blocks and wiring to account No. 17, "Signal and Interlocking Systems."

CASE 182.

Query. To what account should be charged the cost of labor covering maintenance of switch lights at sidings?

Answer. To account No. 17, "Signal and Interlocking Systems."

CASE 183.

Query. To what account should be charged the cost of installing scales and stoves in company's storerooms?

Answer. If the scales referred to are built in, their initial cost should be charged to account No. 27, "Shops and Carhouses," in the Classification of Expenditures for Road and Equipment of Electric Railways; if they are portable scales, their initial cost should be charged to account No. 32, "Shop Equipment," in the same classification.

The initial cost of installing stoves in company's storerooms should be charged to account No. 27, "Shops and Carhouses."

CASE 184.

Query. To what account should be charged the cost of services of an electric clock at a dispatcher's office for use in train service?

Answer. To account No. 48, "Superintendence of Transportation."

CASE 185.

Query. To what account should be charged the cost of a reseating machine, and repair parts, for grinding and cleaning caps for boiler tubes in power stations?

Answer. The cost of first installation of reseating machines for grinding and cleaning caps for boiler tubes in power stations should be charged to account No. 30, "Power-Plant Equipment," in the Classification of Expenditures for Road and Equipment of Electric Railways. Replacements and repairs should be charged to account No. 30, "Power-Plant Equipment," in the Classification of Operating Expenses of Electric Railways.



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FOR

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BUREAU OF STATISTICS AND ACCOUNTS,
Washington, June 30, 1910.

TO CARRIERS CONCERNED:

Under date of August 20, 1909, there was issued Accounting Bulletin No. 3, which contained answers to various accounting questions bearing upon the interpretation of the classifications previously prescribed by the Interstate Commerce Commission for the government of express companies in the keeping of their accounts. In order to include in a single pamphlet all those cases and such additional ones as have been decided, this Accounting Bulletin No. 6 is issued. The cases in Accounting Bulletin No. 3 are reprinted herein so that Accounting Bulletin No. 6 contains a complete record of important cases relating to the classifications for Express Companies.

Attention is directed to the fact that the answers given in Cases 5 and 8 have been amended.

Questions pertaining to the interpretation of the classifications are invited, since in no other way will it be practicable to secure uniformity in the interpretation of the prescribed accounting rules.

HENRY C. ADAMS,
In charge of Statistics and Accounts.

INTERSTATE COMMERCE COMMISSION ACCOUNTING

BULLETIN NO. 6.

QUESTIONS AND DECISIONS.

CASE 1.

Query. To what account shall amounts expended for buildings erected on leased ground be charged? Could not such amounts be charged to Operating Expenses in monthly installments covering the period of lease?

Answer. The cost of buildings or structures which are of such nature and use as to be worthless at the expiration of a lease may be charged to Operating Expenses in monthly installments covering the period of lease. In the case of other buildings or structures, the monthly charge to Operating Expenses should be computed according to the principles which govern depreciation charges.

CASE 2.

Query. We fail to find any provision for buildings of the company that are on ground owned by the company and are occupied in part by the company, the remainder being occupied by tenants who pay rent. Is it the intention to keep separate the ground on which buildings are erected from the buildings themselves? Manifestly, there have been cases where we bought the property without separating the cost of the land from the cost of the buildings, and there have been cases where the land has appreciated and the buildings have depreciated, and there are no records to show what the buildings cost originally.

Answer. The query, if understood correctly, indicates the misapprehension that the classification issued requires a redistribution of property and equipment accounts. The Classification of Expenditures for Real Property and Equipment of Express Companies is designed primarily for distributing expenditures for property and equipment (not replacing previously existing property and equipment) made subsequently to the date on which the classification became effective. If, however, expenditures incurred before that date can be redistributed according to the classification, the redistribution may be made.

CASE 3.

Query. We have an account which we have heretofore called "Premium and Discount," which consists principally of charges for exchange on remittances from our depositaries at distant points in the United States to our General Cashier. I do not find in the classification anything that will just cover them and beg to inquire as to where we should charge them. The funds upon which the charges accrue consist of balances due from agents in the regular course of business.

Answer. Exchange paid for agents' remittances to the General Cashier should be charged to operating expense account No. 48, "Other Expenses," under General Expenses.

CASE 4.

Query. Referring to revenue accounts Nos. 6 and 7: to which account should earnings on money orders sold in Canada be credited?

Answer. The revenue from money orders sold in Canada, Mexico, Newfoundland, and Continental United States should be classed as "Domestic" and credited to account No. 6, "Money Orders—Domestic," if payable in the countries named. If payable in other countries, the revenue should be credited to account No. 7, "Money Orders—Foreign."

CASE 5 (amended).

Query. There are certain items which have always been charged by express companies to Loss and Damage Account, which are not provided for in the Classification of Operating Expenses. For instance, loss on financial paper, such as payment of money orders on forged indorsements, bad debts, or uncollectible accounts. Can such items be properly charged to account No. 35, "Loss and Damage—Money," or shall they be included in a separate account?

Answer. Losses occasioned by reason of payment of money orders on forged indorsements should be charged to account No. 48, "Other Expenses," under General Expenses. A loss occasioned through inability to collect the entire amount due on a shipment, if the company's employees are not at fault, should be charged to Income Account, otherwise to "Other Expenses," under Transportation Expenses. (This should not be construed as applying to uncollectible undercharges, which are chargeable to revenue account No. 1.)

CASE 6.

Query. We own a building which is occupied by the local office, the division superintendent, and by others not connected with the express business, and it is practically impossible to separate the expenses of the portion occupied by this company from the portion leased to

others. Will it be permitted to charge the expenses of maintaining and operating this building as an operating expense under the proper heading? If so, which should we credit to the general account "Revenue from Operations Other than Transportation" under the primary account "Rents of Buildings and Other Property;" the entire rent of the building or only that portion paid to the express company? If the latter, what would be the proper distribution for the balance?

Answer. The Classifications of Operating Expenses and Operating Revenues of Express Companies do not contemplate that a company should include in its operating expenses any charge for the rent of its own property, and it follows that there would be no corresponding credit therefor in operating revenues. Operating expense account No. 26, "Rent of Local Offices," is intended to cover only rents actually paid, and operating revenue account No. 5, "Rents of Buildings and Other Property," is intended to embrace only rents actually received. It is obvious that a company may not pay to and receive from itself any such rents

CASE 7.

Query. At E—— City office we are joint with the Passenger Department of the A, B & C Railway, which railway controls the office and we pay a specified amount to cover all expenses. Should we apportion that amount to various accounts? If so, what accounts?

Answer. It is understood that the items covered by the amount paid to the railway company are all Transportation Expenses. If this is correct, you should charge the amount to account No. 39, "Operating Joint Facilities—Dr."

CASE 8 (amended).

Query. To what account should losses in excess of amounts of bonds be charged when such losses are occasioned by defalcation or embezzlement on the part of employees?

Answer. The amount in excess of the bond should be charged to account No. 48, "Other Expenses," under General Expenses. If the amount is relatively large so that its inclusion in Operating Expenses for a single year would unduly burden those accounts, application may be made to the Interstate Commerce Commission for permission to extend the charges into the succeeding fiscal year.

CASE 9.

Query. I can not find that the classifications make any provision for corporation, city, or state taxes. To what account should they be charged?

Answer. Taxes are not considered operating expenses, but should be treated as deductions from Income. An item has been provided for taxes on the Income Account page of the Annual Report form.

CASE 3.

Query. We have an account which we have heretofore called "Premium and Discount," which consists principally of charges for exchange on remittances from our depositaries at distant points in the United States to our General Cashier. I do not find in the classification anything that will just cover them and beg to inquire as to where we should charge them. The funds upon which the charges accrue consist of balances due from agents in the regular course of business.

Answer. Exchange paid for agents' remittances to the General Cashier should be charged to operating expense account No. 48, "Other Expenses," under General Expenses.

CASE 4.

Query. Referring to revenue accounts Nos. 6 and 7: to which account should earnings on money orders sold in Canada be credited?

Answer. The revenue from money orders sold in Canada, Mexico, Newfoundland, and Continental United States should be classed as "Domestic" and credited to account No. 6, "Money Orders—Domestic," if payable in the countries named. If payable in other countries, the revenue should be credited to account No. 7, "Money Orders—Foreign."

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Answer. Losses occasioned by reason of payment of money orders on forged indorsements should be charged to account No. 48, "Other Expenses," under General Expenses. A loss occasioned through inability to collect the entire amount due on a shipment, if the company's employees are not at fault, should be charged to Income Account, otherwise to "Other Expenses," under Transportation Expenses. (This should not be construed as applying to uncollectible undercharges, which are chargeable to revenue account No. 1.)

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others. Will it be permitted to charge the expenses of maintaining and operating this building as an operating expense under the proper heading? If so, which should we credit to the general account "Revenue from Operations Other than Transportation" under the primary account "Rents of Buildings and Other Property;" the entire rent of the building or only that portion paid to the express company? If the latter, what would be the proper distribution for the balance?

Answer. The Classifications of Operating Expenses and Operating Revenues of Express Companies do not contemplate that a company should include in its operating expenses any charge for the rent of its own property, and it follows that there would be no corresponding credit therefor in operating revenues. Operating expense account No. 26, "Rent of Local Offices," is intended to cover only rents actually paid, and operating revenue account No. 5, "Rents of Buildings and Other Property," is intended to embrace only rents actually received. It is obvious that a company may not pay to and receive from itself any such rents

CASE 7.

Query. At E—— City office we are joint with the Passenger Department of the A, B & C Railway, which railway controls the office and we pay a specified amount to cover all expenses. Should we apportion that amount to various accounts? If so, what accounts?

Answer. It is understood that the items covered by the amount paid to the railway company are all Transportation Expenses. If this is correct, you should charge the amount to account No. 39, "Operating Joint Facilities—Dr."

CASE 8 (amended).

Query. To what account should losses in excess of amounts of bonds be charged when such losses are occasioned by defalcation or embezzlement on the part of employees?

Answer. The amount in excess of the bond should be charged to account No. 48, "Other Expenses," under General Expenses. If the amount is relatively large so that its inclusion in Operating Expenses for a single year would unduly burden those accounts, application may be made to the Interstate Commerce Commission for permission to extend the charges into the succeeding fiscal year.

CASE 9.

Query. I can not find that the classifications make any provision for corporation, city, or state taxes. To what account should they be charged?

Answer. Taxes are not considered operating expenses, but should be treated as deductions from Income. An item has been provided for taxes on the Income Account page of the Annual Report form.

CASE 10.

Query. To what account should be charged the cost of stationery furnished for use in the offices of superintendents and other officers whose pay is chargeable to account No. 21 under general account Transportation Expenses?

Answer. The cost of stationery and stationery supplies used by officers whose pay is chargeable to account No. 21, "Superintendence," should be charged to account No. 33, "Stationery and Printing," under Transportation Expenses.

CASE 11.

Query. To what account should the cost of small signs furnished for rented buildings and depots be charged?

Answer. This expense seems analogous to the items covered in account No. 17, "Advertising," under Traffic Expenses, and should therefore be charged to that account.

CASE 12.

Query. To what account should the cost of drivers' uniforms be charged?

Answer. The cost of drivers' uniforms should be charged to account No. 28, "Stable Supplies and Expenses."

It is the intention that the three primary accounts, "Wagon Employees," "Stable Employees," and "Stable Supplies and Expenses," shall, as nearly as may be possible, represent the cost of operation of the collection and delivery service. This being the case, expenses not specifically named in the Classification of Operating Expenses, that are incurred in the operation of that service, should be charged to one of the three accounts named.

CASE 13.

Query. How should the revenues and expenses of European business be treated?

Answer. The "Foreign" business, other than the sale of financial paper, done by express companies should be included in Outside Operations, the revenues and expenses of which are to be kept separate from those of express operations in the United States. When operations in Canada, Mexico, Cuba, Porto Rico, or Hawaii are conducted as integral parts of a company's business, the revenues and expenses of such operations should be included with the revenues and expenses of operations in the United States. When not so conducted, the revenues and expenses of operations in those countries should be included in Outside Operations.

CASE 14.

Query. Should a portion of the salaries and expenses of Route Agents, Traveling Agents, and Solicitors, as well as of City Solicitors, be charged to Traffic Expenses?

Answer. Salaries and expenses of employees while engaged exclusively in supervising or soliciting traffic should be charged to Traffic Expenses, regardless of whether such employees may, at other times, be engaged in other branches of the business, it being the intention to assign to Traffic all expenses properly assignable to it.

CASE 15.

Query. To what account should rent, attendance, linen, laundry, and incidental expenses of messengers' sleeping rooms be charged?

Answer. To primary account No. 30, "Train Supplies and Expenses."

CASE 16.

Query. Should the expense of a wagon haul used in lieu of train service be charged to "Express Privileges—Dr." when the company owns and operates the wagons?

Answer. It is not considered that the expenses of a wagon haul are in the nature of "Express Privileges." The expenses of such a haul should be distributed to the primary accounts affected that are provided in the Classification of Operating Expenses.

CASE 17.

Query. Should a portion of the salaries of employees who perform transfer duties incidental to their other duties be charged to account No. 31, "Transfer Employees?"

Answer. Only the salaries of such employees as are engaged exclusively in transfer work should be charged to account No. 31.

CASE 18.

Query. Are agents required to hold open a given month's business any specified time in order to include all waybills dated in the given month but received after the end of the month?

Answer. Agents should hold open a given month's business a reasonable length of time in order to include waybills dated in that month but received after the end of the month, it being the intention that all revenues and expenses accruing in any given month should be included in that month's business.

CASE 19.

Query. Should monthly estimates be made of one-twelfth of the annual taxes, based on the amount paid for the previous year?

Answer. One-twelfth of the estimated annual taxes should be charged each month, the charge being based on the preceding year's taxes or on a later modified estimate. Any necessary corrections may be made at the close of the tax year.

CASE 20.

Query. Has any time limit been set within which settlement of through waybills must be made by the companies interested?

Answer. Settlement of a through waybill should be made between companies within sixty days from the end of the month in which the waybill is dated. When more than two companies are interested, a copy of the report rendered by the delivering company should be sent to each of the other companies interested, which report should show the percentage of revenue accruing to each of the carrying companies.

CASE 21.

Query. Is it necessary that all vouchers should bear details on their faces?

Answer. Each voucher should bear on its face sufficient evidence to show for what purpose the amount was paid, in order that it may be determined whether or not the amount is charged to the correct account.

CASE 22.

Query. Should the revenue accruing from wagon hauls within a city be credited to revenue account No. 1?

Answer. Revenue from wagon hauls within a city should be credited to revenue account No. 2, "Miscellaneous Transportation Revenue."

CASE 23.

Query. To what account should amounts paid cities or towns for wagon licenses be charged?

Answer. Amounts paid for wagon licenses should be charged to operating expense account No. 28, "Stable Supplies and Expenses."

CASE 24.

Query. To what account should sundry small amounts absorbed, such as deposits uncalled for, undelivered money packages, etc., be credited? It has been the practice in the past to credit such items to Loss and Damage Account.

Answer. Items of the nature stated above, absorbed by the company, should be credited to Profit and Loss Account, which account should be debited in case refund is made.

CASE 25.

Query. Is it necessary that an inventory be taken at the end of each fiscal year?

Answer. Inventories should be taken at the end of each fiscal year as provided in the notes under primary accounts Nos. 3, 7, 9, 10, and 11, under general account Maintenance, in the Classification of Operating Expenses.

CASE 26.

Query. Should amounts paid to other express companies under "tonnage agreements" be charged to "Express Privileges—Dr."? To what account should amounts received for similar services performed for other companies be credited?

Answer. Amounts paid to other express companies under "tonnage agreements" are chargeable to revenue account No. 1, "Express Revenue," as explained in the text to that account. Amounts received for services rendered under such agreements should be credited to revenue account No. 1.

CASE 27.

Query. This company has a contract for operating the express business over the lines of a certain railway company, but has sublet the privileges to another express company, we paying the railway company the agreed amount annually and receiving from the other express company the agreed amount annually. To what account should our payment to the railway company be charged and to what account should the amount paid us be credited? This company does not operate on the lines of the railway.

Answer. As your company conducts no operations over the railway company's lines, your payment to that company does not come within the class of payments contemplated in the account "Express Privileges—Dr." A clearing account should be opened on your books to which should be charged the amount paid to the railway company and to which should be credited the amount received from the other express company. At the end of the year the surplus or deficit remaining in the account should be credited or debited, as the case may be, to "Miscellaneous Income."

The second express company, on its part, should charge to "Express Privileges—Dr." the amount paid your company.

CASE 28.

Query. A shipment transferred to us by another company is lost or destroyed on our line. To what account should the charges on the shipment be debited?

Answer. The revenue of the company on whose line the shipment was lost should be charged to revenue account No. 1, "Express Rev-

enue." The amount paid to the other company for its proportion of charges should be charged to "Loss and Damage—Freight" or "Loss and Damage—Money," according to the contents of the package.

CASE 29.

Query. We recently had stolen from the safe at one of our offices an amount of money representing the day's receipts at that office. To what account should the loss of this money be charged?

Answer. Charge to account No. 38, "Other Expenses," under Transportation Expenses.

CASE 30.

Query. To what account should be credited amounts paid by railway companies for the services of express messengers who also act as train baggagemen?

Answer. If account No. 29, "Train Employees," has been charged with the total amount of messengers' salaries, it should be credited with the amounts paid by the railway companies for their services.

CASE 31.

Query. To what account should be charged the amounts paid to clerks of courts for filing copies of reports?

Answer. To account No. 48, "Other Expenses," under General Expenses.

CASE 32.

Query. Please advise if such articles as typewriters, computing machines, etc., may not properly be classed as "Equipment."

Answer. Adding machines, calculating machines, typewriters, and similar articles are classified under "Stationery and Printing," and their cost should not be carried in the Property accounts. A fairly complete list of articles considered as equipment is given in the text of accounts Nos. 3, 4, 7, 8, 10, and 11 of the Classification of Operating Expenses.

CASE 33.

Query. Many payments on account of loss and damage claims are made in the fiscal year subsequent to that in which the loss or damage occurred. Is there any objection to charging such payments in the accounts of the months in which they are made?

Answer. Such payments may be charged to Operating Expenses in the months in which they are made, except in the cases of extraordinary amounts, which would impair the significance of operating ratios, in which event the charges may be distributed over a term of months, not extending, however, beyond the current fiscal year without special authority from the Interstate Commerce Commission.

CASE 34.

Query. To what account should amounts paid for marine insurance be charged and to what account should amounts collected from shippers or consignees to cover these charges be credited?

Answer. If the marine insurance covers the transportation risks of "Foreign" business, the revenues and expenses of which are returnable under Outside Operations, the amounts paid are chargeable to the expenses of conducting the Outside Operation. Amounts collected from shippers and consignees to cover these charges should be credited to the same account.

On the other hand, if the transportation of the goods insured is not classed as an Outside Operation the amounts paid for marine insurance should be charged to operating expense account No. 45, "Insurance," and the amounts collected from shippers or consignees therefor should be credited to operating revenue account No. 1, "Express Revenue."

CASE 35.

Query. The express business over a certain railway line is conducted for the railway company by an express company. After deducting from the gross receipts from operation the expenses of operation and the agreed percentage allowed to it as compensation, the express company turns the remainder over to the railway company. How should this transaction be handled in the express company's accounts?

Answer. This office will agree, at least for the present, to accept returns based on the following method of handling: All revenues and expenses should be included in those of the express company. The amount turned over to the railway company should be treated as a deduction from Income; no charge should be made to the "Express Privileges" account.

CASE 36.

Query. One express company has an agreement with another express company under which the operations over the lines of a certain railway company are conducted by the first company for the benefit of the second company. That is, the first company conducts the operations, receives all the revenues, pays all the expenses, and gives the second express company all the net earnings. In case of a deficit the latter company pays the former company the amount of such deficit. Should the revenues, expenses, and express privileges be included in those of the first company?

Answer. The revenues, expenses, and express privileges should be included in those of the first company. The net amount turned over to the second express company should be treated as a deduction from Income.

CASE 37.

Query. In certain cities there are joint offices, and solicitors are employed who attend to the traffic of the companies interested. The salaries of these solicitors are prorated, each company paying its share. How should amounts charged by one company to another be accounted for?

Answer. The paying company should charge the total amount paid for the salaries of such joint employees to operating expense account No. 16, "Outside Agencies," and should credit the same account with the amounts billed against the other companies interested.

CASE 38.

Query. An express company occupies an office room owned by a railway company. The room is not used jointly by the railway and the express company, and it is doubtful whether the rent paid should be charged to account No. 26, "Rent of Local Offices," or to account No. 39, "Operating Joint Facilities—Dr."

Answer. It is the operation of the facility and not the ownership that determines the question. In the case stated there is no joint operation, and therefore the rent paid should be charged to account No. 26.

CASE 39.

Query. To what account should bridge tolls paid for wagons and employees be charged?

Answer. Bridge tolls paid for wagons and wagon employees should be charged to operating expense account No. 28, "Stable Supplies and Expenses." Tolls paid for office employees should be charged to account No. 25, "Office Supplies and Expenses."

CASE 40.

Query. A railway line over which an express company operates does not reach New York City but has its terminal at Jersey City. In order to get traffic to and from trains it is necessary for the express company's wagons to use the ferry boats operating between the two cities. To what account should the cost of ferry tickets for wagons and employees be charged?

Answer. The cost of ferry tickets for wagons and wagon employees is chargeable to operating expense account No. 28, "Stable Supplies and Expenses."

If the company also pays for ferry tickets for the use of employees other than wagon employees, such as office clerks, porters, etc., the cost should be charged to account No. 25, "Office Supplies and Expenses."

CASE 41.

Query. In order to reach a certain city an express company has an agreement with another express company under which the second company handles the business between two given points, receiving an agreed percentage of revenue as compensation. Should the amount paid to the second express company be charged to "Express Privileges—Dr?"

Answer. As the situation is understood, the service performed by the second express company is the same as is covered by the ordinary "tonnage agreement." That is to say, the payment is made to the second express company for handling the first company's traffic over a line on which the second company has the contract and privileges. If this understanding is correct, the amount paid to the second company is not chargeable to "Express Privileges" but should be charged to operating revenue account No. 1, "Express Revenue." The term "tonnage agreements" as used in the text of the last-named account in the Classification of Operating Revenues should not be construed as defining the basis on which payment is made, but as illustrating the nature of the service performed.

CASE 42.

Query. Should amounts paid to agents as commissions for the sale of money orders be deducted from the revenue from the sale of such orders or be charged to operating expense account No. 23, "Commissions?"

Answer. Money-order revenues should be credited with the full amount of the earnings from the sale of orders, and amounts paid to agents as commissions on sales should be charged to account No. 23.

CASE 43.

Query. In order to avoid delay and to save the expense of transferring, arrangements have been made with two railway lines to run through cars between certain points. Line A's cars are loaded and go through over line B. Line A requires line B to pay mileage for the use of the cars. Line B, in turn, makes a charge to the express company of the amount, in addition to the regular compensation paid for express privileges. To what account should the additional amount paid be charged?

Answer. To "Express Privileges—Dr."

CASE 44.

Query. To what account should be charged amounts paid for the rent of horse, refrigerator, or other cars in which shipments have been forwarded by express?

Answer. To "Other Deductions" the Income Account.

CASE 45.

Query. To what account should be charged amounts paid for postage stamps for use in returning C. O. D. checks?

Answer. To account No. 25, "Office Supplies and Expenses," under Transportation Expenses.

CASE 46.

Query. As an intermediate link in the movement of a through express car it is necessary that the car be switched from the station of the railway company which handles it into a junction point to the station of the railway company which handles it out of the junction. To what account should the amount paid for switching be charged?

Answer. To revenue account No. 1, "Express Revenue."

CASE 47.

Query. In order to prepare a car for the transportation of horses it is sometimes necessary to buy lumber and build temporary stalls. To what account should the cost of such stalls be charged?

Answer. To operating expense account No. 30, "Train Supplies and Expenses."

CASE 48.

Query. Payments for lighterage are usually made by express companies in connection with the movement of carload shipments, such as, for example, the placing of carloads of horses at certain docks or unloading places. Are such payments analogous to switching charges absorbed and chargeable to the same account?

Answer. Payments for lighterage, as described in the query, are considered analogous to switching charges absorbed and are chargeable to revenue account No. 1, "Express Revenue."

CASE 49.

Query. To what account should the rent of portable stalls intended for use in connection with the transportation of horses be charged?

Answer. As understood, the rent of such stalls is a minor item, and, therefore, may be charged to operating expense account No. 30, "Train Supplies and Expenses."

CASE 50.

Query. To what account should amounts paid for the rent of Palace Horse Cars be charged?

Answer. Such amounts should be shown as a separate item in the Income Account under the head of "Other Deductions."

CASE 51.

Query. Stationery (other than printed forms) is furnished to a joint office by the controlling company and the cost prorated between the two companies. Should the cost of such stationery be treated as a joint facility expense?

Answer. Stationery furnished to a joint local office, the cost of which is divided among the companies in interest, should be charged by the controlling company to account No. 33, "Stationery and Printing." The amount billed against the other company should be credited to account No. 40, "Operating Joint Facilities—Cr." The debtor company should charge its proportion of the expense to account No. 39, "Operating Joint Facilities—Dr."

CASE 52.

Query. The equipment used at a joint office is owned by the controlling company, the other company paying an agreed percentage on the value of the equipment in lieu of a proportion of the expenses of maintenance and taxes. How should the transaction be handled in the accounts of the two companies?

Answer. Taxes and maintenance expenses paid by the owning company should be charged, in full, by that company to "Taxes" and to the appropriate Maintenance accounts. The amount paid by the other company should be apportioned between maintenance and rents. The portion representing maintenance should be credited by the owning company to account No. 14, "Maintaining Joint Facilities—Cr.," and charged by the other company to account No. 13, "Maintaining Joint Facilities—Dr.," under Operating Expenses. The portion representing rents (taxes) should be credited by the owning company and charged by the other company to an appropriate rental account under Income Account.

CASE 53.

Query. The equipment used at a joint office is owned jointly by two companies and the taxes are prorated between them. Should each company charge its proportion to "Taxes?"

Answer. Yes.

CASE 54.

Query. The equipment of a joint office is owned by the controlling company and the cost of repairs and taxes is prorated between the two companies. Should each company charge its proportion of taxes to "Taxes?"

Answer. The owning company should charge the full amount of taxes paid to "Taxes" and the proportion recovered from the other company should be credited to "Rents" in the Income Account. The tenant company should charge its proportion of the taxes to the corresponding rental account in the Income Account.

CASE 55.

Query. When the horses of another express company are boarded, should the amount received be credited to "Stable Supplies and Expenses" or to "Operating Joint Facilities—Cr.?"

Answer. When one company boards the horses of another (in the use of which it does not share) the amount received should be credited to account No. 28, "Stable Supplies and Expenses."

CASE 56.

Query. To what account should the amount received for stalls sublet in a rented stable be credited?

Answer. To operating expense account No. 28, "Stable Supplies and Expenses."



Accounting Bulletin No. 7

DECISIONS UPON QUESTIONS

RAISED UNDER

CLASSIFICATIONS

PRESCRIBED BY THE

INTERSTATE COMMERCE COMMISSION

FOR

ELECTRIC RAILWAYS

**IN ACCORDANCE WITH SECTION 20 OF THE
ACT TO REGULATE COMMERCE**

Effective on January 1, 1912

(Supersedes Accounting Bulletin No. 5)



WASHINGTON

1911



THE INTERSTATE COMMERCE COMMISSION.

JUDSON C. CLEMENTS, *of Georgia.*

CHARLES A. PROUTY, *of Vermont.*

FRANKLIN K. LANE, *of California.*

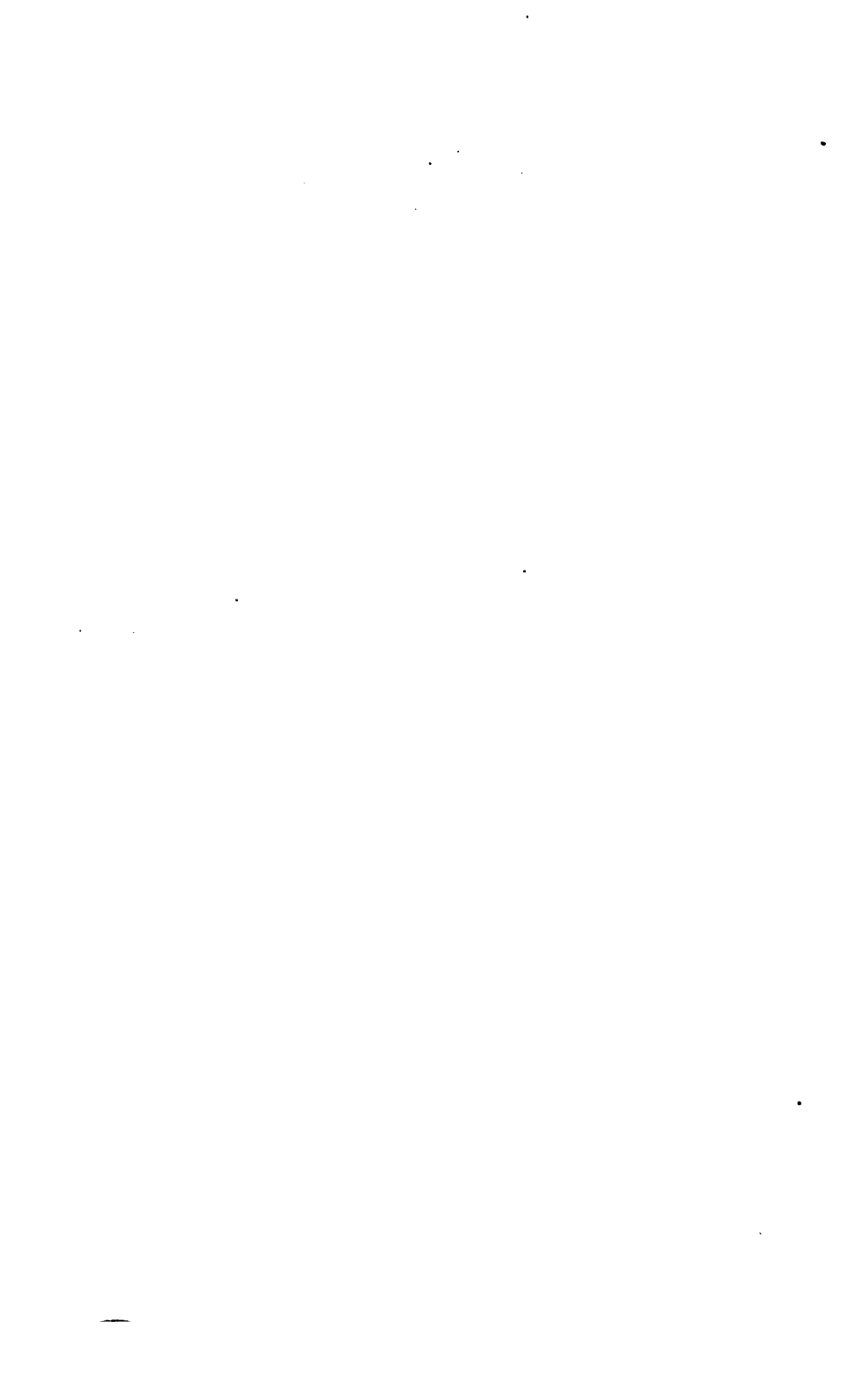
EDGAR E. CLARK, *of Iowa.*

JAMES S. HARLAN, *of Illinois.*

CHARLES C. MCCHORD, *of Kentucky.*

BALTHASAR H. MEYER, *of Wisconsin.*

_____, *Secretary.*



INTRODUCTORY LETTER.

INTERSTATE COMMERCE COMMISSION,
DIVISION OF CARRIERS' ACCOUNTS,
Washington, December 23, 1911.

TO CARRIERS CONCERNED:

Under date of April 16, 1910, there was issued Accounting Bulletin No. 5, which contained answers to various accounting questions bearing upon the interpretation of certain classifications for electric railway companies, prescribed by the Interstate Commerce Commission to become effective on January 1, 1909. The cases in Accounting Bulletin No. 5 are repeated in this Accounting Bulletin No. 7, a few of them being in amended form. Thus Accounting Bulletin No. 7 contains a file of important cases relating to the classifications for electric railways that were approved for publication before December 1, 1911.

As a matter of information, it may be proper to state that the answers to questions recorded in this bulletin have been submitted to the Committee on a Standard Classification of Accounts of the American Electric Railway Accountants' Association, and with but few exceptions have received its approval.

CHARLES A. LUTZ,
Chief Examiner of Accounts.

CASE 3.

Query. Is a Class C or a Class B road permitted to use the classification of accounts prescribed for carriers of a higher class?

Answer. Electric railways whose revenues place them in Class C or Class B of the Classification of Operating Expenses prescribed by the Interstate Commerce Commission may, if they so desire, keep their accounts under the more extended classification provided for carriers of a higher class.

CASE 4.

Query. To what account should be charged the wages of billing clerks and cashiers in express offices operated by an electric railway?

Answer. To operating expense account No. 64, "Station Employees."

CASE 5.

Query. Are carriers required to keep subaccounts for paragraphs (a) to (f) under account No. 23, "Distribution System," and (a) to (t) under account No. 25, "Buildings and Structures," of the Classification of Operating Expenses of Electric Railways; or will it be satisfactory to show the cost in total under such primary accounts?

Answer. The Interstate Commerce Commission does not require the subdivision of account No. 23, "Distribution System," or account No. 25, "Buildings and Structures;" but any carrier desiring to do so may make subdivisions, provided a list of the subprimary accounts be first filed with the Commission, subject to its disapproval.

CASE 6.

Query. To what account should an electric railway charge the wages of employees and the cost of repairs, fuel, water, lubricants, and waste, incident to the operation of a steam locomotive and of gasoline and steam motor cars, used regularly as rail equipment?

Answer. If the equipment enumerated is used in revenue service, the wages of employees should be charged to operating expense account No. 60, "Passenger Conductors, Motormen, and Trainmen," or account No. 61, "Freight and Express Conductors, Motormen, and Trainmen."

The cost of repairs to the steam locomotive, and to the locomotive features of gasoline and steam motor cars should be charged to account No. 34, "Locomotives," and the cost of repairs to the car features of the motor cars should be charged to account No. 32, "Passenger and Combination Cars," or account No. 33, "Freight, Express, and Mail Cars."

The cost of fuel should be charged to account No. 51, "Fuel for Power"; the cost of water to account No. 52, "Water for Power"; the cost of lubricants to account No. 53, "Lubricants for Power"; and the cost of waste to account No. 54, "Miscellaneous Power-Plant Supplies and Expenses."

If the steam locomotive and the motor cars are used in nonrevenue service, the expenses should be handled in the same manner as those for service cars. (*See Case 249.*)

CASE 7.

Query. To what account should be charged the cost of repairs and renewals of electric car heaters?

Answer. The cost of repairs and renewals of electric car heaters, including wiring for same, should be charged to operating expense account No. 32, "Passenger and Combination Cars," or account No. 33, "Freight, Express, and Mail Cars." (*See Case 9.*)

CASE 8.

Query. Should electric railways observe the Classification of Revenues and Expenses for Outside Operations prescribed for steam roads in handling similar matters?

Answer. No classification of revenues and expenses for outside operations has been prescribed for electric railways.

CASE 9.

Query. Should motors for air governors and pumps on cars be regarded as part of the electrical equipment, and the cost of repairs and renewals thereof be charged to account No. 36, "Electric Equipment of Cars"?

Answer. No. The electric equipment of cars includes the electric motive equipment and wiring. The term "car" includes the car body and trucks, electric bells and wiring, electric heaters and

wiring, electric lighting and wiring, and air-brake equipment and wiring. Motors for air governors and pumps on cars should, therefore, be charged to operating expense account No. 32, "Passenger and Combination Cars"; account No. 33, "Freight, Express, and Mail Cars"; account No. 34, "Locomotives"; or account No. 35, "Service Cars." (See Case 7.)

CASE 10.

Query. Are electric railways at liberty to open clearing accounts for store expenses and apportion them on a basis of material issued? If so, should only the amounts chargeable to operating expenses be charged to account No. 85, "Store Expenses," and so reported to the Commission, or should this account also include expenses incurred in connection with material issued for construction and betterments?

Answer. Electric railways are at liberty to open clearing accounts for store expenses and apportion the amounts charged thereto. The total amount chargeable to operating expenses should be charged to account No. 85, "Store Expenses."

Account No. 85 should not include expenses incurred primarily in connection with material issued for construction and additions and betterments. Carriers are at liberty to distribute for their own purposes items covered by this account to other operating expense accounts affected, but in their reports to the Interstate Commerce Commission the entire charge for store expenses chargeable to operating expenses should be reported under account No. 85.

CASE 11.

Query. Please explain the various accounts "Other Operations—Dr. and Cr.," contained in the Classification of Operating Expenses of Electric Railways, particularly the paragraphs entitled "Coordinate Departments."

In connection with these accounts, it is understood that account No. 56, "Power Purchased," should show the total amount expended for this purpose, and that the amounts used for lighting shops, carhouses, etc., should be charged to the accounts affected and offsetting credits made to account No. 59, "Other Operations—Cr." Is this correct?

Answer. The accounts "Other Operations—Dr., Coordinate Departments," and "Other Operations—Cr., Coordinate Depart-

ments," are to be used by electric railways which engage in other lines of business, such as the production of light and power for sale. In case the cost of producing power is carried in the primary accounts of the light department, the proportion of operating expenses chargeable to the railway department should be charged to the various "Other Operations—Dr." accounts. In case the cost of producing power is carried in the primary accounts of the railway department, the proportion of operating expenses chargeable to the light or other departments should be credited to the various "Other Operations—Cr." accounts.

Account No. 56, "Power Purchased," covers the cost of power purchased from other companies primarily for the propulsion of cars, and account No. 59, "Other Operations—Cr.," should not be used in connection therewith, unless a portion of the power purchased is used by another coordinate department, such as electric light, heat, power, or gas, within the same company. (*See Case 255.*)

CASE 12.

Query. To what operating expense or other account should be charged rents paid for fare registers used on electric cars?

Answer. To operating expense account No. 63, "Miscellaneous Car-Service Expenses."

CASE 13.

Query. To what account should be charged rent paid for land on which is located a carhouse used as a regular operating carhouse?

Answer. To operating expense account No. 67, "Carhouse Expenses."

CASE 14.

Query. Account No. 63, "Miscellaneous Car-Service Expenses," provides for the cost of tickets, transfers, and baggage checks. Should not the cost of all stationery, such as rate sheets, way-bills, bills of lading, etc., used in connection with the operation of passenger, express, or freight cars be charged to this account?

Answer. No. Charge to account No. 84, "Stationery and Printing." Carriers are at liberty to distribute the items covered by the undistributed accounts in the Classification of Operating Expenses of Electric Railways, but all reports to the Commission should agree with the accounts which are prescribed. (*See Cases 18 and 23.*)

CASE 15.

Query. Account No. 44, "Miscellaneous," in the Classification of Expenditures for Road and Equipment of Electric Railways covers, among other things, "the cost of printing certificates of stocks and bonds, with payments to trustees and expenses incurred in the disposal of securities." Will it be correct to charge to this account expenses of this nature when they relate to the issuance of bonds by an operating electric railway company for construction and additions and betterments?

Answer. Yes.

CASE 16.

Query. Please explain account No. 77, "Relief Department Expenses." Also please advise to what account should be charged an employee's wages when paid while he is suffering from an injury and is not able to work.

Answer. Account No. 77, "Relief Department Expenses," is intended to cover cost of operation of and contributions to a relief department or association. Wages paid to an employee while he is suffering from an injury should be charged to account No. 82, "Injuries and Damages," if the injury occurred while the employee was on duty or if the company was responsible. Voluntary contributions made to employees or families of employees on account of sickness or other inability to perform their duties should be charged to account No. 79, "Miscellaneous General Expenses."

CASE 17.

Query. We have installed in our different carhouses some large storage tanks for compressed air. The compressed air is used in filling air tanks on cars for the operation of brakes. To what account should we charge the maintenance and operation of said tanks?

Answer. The cost of maintenance should be charged to account No. 38, "Shop Machinery and Tools," and the cost of operation to account No. 63, "Miscellaneous Car-Service Expenses."

CASE 18.

Query. To what account should be charged the cost of printing expense bills, balance sheets, and other stationery used in the handling of express and freight business incident to the operation of an electric railway?

To what account should be charged printing and stationery used by clerks whose salaries are charged to account No. 1, "Superintendence of Way and Structures"; account No. 29, "Superintendence of Equipment"; and account No. 48, "Superintendence of Transportation"?

Answer. The cost of expense bills, balance sheets, and other stationery should be charged to account No. 84, "Stationery and Printing." By referring to the note under "Undistributed Accounts," on page 45 of the Classification of Operating Expenses of Electric Railways, it will be found that carriers are at liberty to distribute items covered by accounts Nos. 82 to 88, inclusive, but that all reports to the Commission must agree with the accounts which are prescribed.

The cost of stationery and printing used by clerks whose salaries are charged to accounts Nos. 1, 29, and 48 should be charged to account No. 84. (*See Cases 14 and 23.*)

CASE 19.

Query. We have on our lines foreign cars on which we pay a per diem charge. To what account should an expense of this nature be charged? To what account should be charged the maintenance of such cars while on our tracks?

Answer. Per diem on foreign cars should be charged to account No. 88, "Rent of Equipment," and the maintenance of such cars while on your tracks to account No. 32, "Passenger and Combination Cars"; account No. 33, "Freight, Express, and Mail Cars"; account No. 35, "Service Cars"; or account No. 36, "Electric Equipment of Cars." (*See Case 188.*)

CASE 20.

Query. We have electric cars equipped and used as pile driver, steam shovel, concrete mixer, and stone crusher. To what accounts should be charged the maintenance of these cars and the machinery?

Answer. The maintenance of such cars and machinery should be charged to account No. 35, "Service Cars," or account No. 36, "Electric Equipment of Cars," except when the cars are used on work not chargeable to operating expenses. (*See Case 186.*)

CASE 21.

Query. To what account should be charged the wages of clerks in carhouses whose duty it is to furnish motormen and conductors

with their tickets and supplies, and to receive from conductors their daily remittances and arrange them before sending to the general office?

Answer. To operating expense account No. 48, "Superintendence of Transportation."

CASE 22.

Query. To what account should an electric railway charge commissions and wages paid for the sale of school and other tickets at various stores along the line?

Answer. If the tickets are sold at stores which can be considered stations, charge commissions and wages paid to account No. 64, "Station Employees"; if the stores can not be considered stations, charge to account No. 45, "Superintendence and Solicitation."

CASE 23.

Query. To what account should be charged the cost of printing and furnishing reports made by conductors each day (trip sheets) and shortage notices?

Answer. To operating expense account No. 84, "Stationery and Printing." (See Cases 14 and 18.)

CASE 24.

Query. To what account should be charged the salary and expenses of a supervising engineer in charge of the construction of a new line and buildings, and the installation of machinery in power plants? It is not clear to us whether these expenses should be charged to account No. 1, "Engineering and Superintendence," or charged directly to the account for which incurred, in accordance with Note B.

Answer. If the engineer in question has direct supervision over all of the work in connection with the construction of a new line, it will probably not be possible to apportion his salary and expenses among the various construction accounts, and charges should, therefore, be made to account No. 1, "Engineering and Superintendence," in the Classification of Expenditures for Road and Equipment of Electric Railways.

Note B, under account No. 1, provides that, whenever it is possible, the expenses enumerated should be charged directly to the account for which they are incurred, as, for example, "Power-

Plant Buildings" or "Shops and Carhouses." However, it is not the intention to insist upon any unnecessary refinement in accounting for such matters.

CASE 25.

Query. Should all the ties, rails, rail fastenings, and joints used in connection with crossovers, curves, and turn-outs be charged to account No. 8, "Special Work," in the Classification of Expenditures for Road and Equipment of Electric Railways? What is meant by the term "curves" as used in that account?

Answer. Account No. 8, "Special Work," is not intended to cover the cost of ties, rails, rail fastenings, and joints. These items should be charged to accounts provided for such expenditures. The terms "crossovers," "curves," and "turn-outs" cover only those portions of track which are made to order.

Ordinary curves should be treated as "rails," and other curves as "special work."

CASE 26.

Query. What instructions, if any, have been issued by the Interstate Commerce Commission covering the treatment of amounts expended by electric railways for betterments and improvements?

Answer. The Commission has issued no instructions to electric railways relative to additions and betterments expenditures. Until advised to the contrary, such carriers should account for expenditures of this nature in accordance with the Classification of Expenditures for Road and Equipment of Electric Railways.

CASE 27.

Query. Will a company using the standard system of electric railway accounting recommended by the Street Railway Accountants' Association of America be required to adopt the Classifications of Operating Revenues and Operating Expenses of Electric Railways as prescribed by the Interstate Commerce Commission?

Answer. If a company engages in the interstate transportation of persons or property, it should keep its accounts in accordance with the classifications prescribed by the Interstate Commerce Commission effective on January 1, 1909.

CASE 28.

Query. To what account should be charged the cost of cleaning the conduit under tracks and removing dirt and trash of various

kinds which collect therein on roads operated by the underground conduit system?

Answer. This is a feature of maintenance, and is properly chargeable to operating expense account No. 11, "Cleaning and Sanding Tracks."

CASE 29.

Query. We note that the accounts "Interest and Discount" and "Taxes," heretofore carried by many companies in their general expenses, have been dropped from the classification of the Interstate Commerce Commission. Please advise as to the manner in which they should be handled.

Answer. Interest, discount, and taxes, when arising in connection with operations, should be handled through the Income Account. Interest in connection with expenditures for road and equipment should be handled through primary account No. 41, "Interest," in the Classification of Expenditures for Road and Equipment of Electric Railways. (See Case 53.)

CASE 30.

Query. This company's tower wagon is frequently used in connection with the construction of electric lines along new tracks, and it has been our custom to credit to "Stable Expenses" the cost of the service. Is this correct?

Answer. The expenses of repair or tower wagons which are frequently used in construction work should be apportioned between maintenance and construction accounts in accordance with the use to which they are put. If expenses properly chargeable to construction have been included in account No. 40, "Horses and Vehicles," and account No. 86, "Stable Expenses," these accounts should receive proper credit.

CASE 31.

Query. A railway company's shop performs services properly chargeable to various construction accounts and to other companies and persons. To what account should be credited the department expense added to the cost of labor and material to cover a portion of miscellaneous shop and storeroom expenses?

Answer. Such expense should be credited to the proper accounts under Operating Expenses.

CASE 32.

Query. To what accounts should the following charges be made?

(1) Rents paid to private firms or individuals for the right to operate cars on private property.

(2) Rent for land on which poleline right of way for high-tension lines is located.

(3) Amounts paid to municipalities for the right to operate cars on and across streets.

(4) Amounts paid to boards of public works, county officers, etc., for the right to operate cars on and across public highways.

Answer. (1) Charge to account No. 19, "Other Miscellaneous Way Expenses."

(2) Charge to account No. 24, "Miscellaneous Electric Line Expenses."

(3) and (4) Charge to "Taxes" under "Deductions from Income."

CASE 33 (*amended*).

Query. To what account or accounts should be credited charges made against operation and construction accounts for electricity furnished by an electric railway company for the use of its shop motors, carhouse lighting, running of construction cars engaged in company service, such as building new tracks, etc.?

Answer. The Classification of Operating Expenses of Electric Railways does not require a segregation of the cost of power to shops, carhouses, etc. The last paragraph on page 7 of the Classification provides that any carrier may "keep any temporary or experimental accounts the purpose of which is to develop the efficiency of operations: *Provided, however,* That such temporary or experimental accounts shall not impair the integrity of any general or primary account hereby prescribed; and that any such temporary or experimental accounts shall be open to inspection by the Commission." It is therefore permissible for any carrier to ascertain for its own information the cost of power used at shops or carhouses.

The Classification of Operating Expenses of Electric Railways does not contemplate that any distribution shall be made to maintenance accounts for electricity furnished by an electric railway for the use of its shop motors, carhouse lighting, or running of work cars engaged in maintenance.

The actual cost of operating work cars for construction purposes, such as building new tracks, etc., is properly chargeable to construction accounts, and proper credit may be given to revenue account No. 9, "Miscellaneous Transportation Revenue." (*See Case 84.*)

CASE 34.

Query. A large percentage of the purchases made by the purchasing department of this company is for construction and betterment purposes. Would it be permissible to charge to the appropriate construction and betterment accounts such a proportion of the salaries and expenses of that department as would fairly represent the expense of the purchases made primarily for such construction and betterments?

Answer. The Classification of Operating Expenses of Electric Railways is intended to cover operating expenses only, and it is proper to charge to the appropriate construction and betterment accounts such a proportion of the salaries and expenses of purchasing agents and assistants as would fairly represent the expense of the purchases made for such construction and betterments. In the consideration of this question account No. 85, "Store Expenses," should not be overlooked.

CASE 35.

Query. What is meant by "Undistributed Accounts" in the Classification of Operating Expenses of Electric Railways?

Answer. Undistributed accounts are those which contain expenses properly chargeable to more than one of the five general accounts under Operating Expenses. For example, there are injuries which, from a strict accounting standpoint, should be charged under Way and Structures, Equipment, etc. There are various difficulties in distributing these expenses among the several general accounts and the Commission is willing that all expenses for injuries should be carried in account No. 82, "Injuries and Damages," under general account General and Miscellaneous.

CASE 36.

Query. A company conducting a railway, lighting, and power business carries its general accounts in the lighting and power department. A monthly charge for power is made to the street

railway department and to the lighting department. Are the monthly charges for power to the lighting and street railway departments satisfactory, and is a single balance sheet for the entire business permissible?

Answer. Each company conducting a railway, lighting, and power business is at liberty to decide for itself under which department the primary operating expense accounts shall be carried, and should decide upon the basis of division of expenses among the various departments. If the expenses are carried under the lighting and power department, it will be necessary to show on the books of the railway department under accounts Nos. 27, 43, 58, and 80, "Other Operations—Dr.," the proportions chargeable to the railway department under Way and Structures, Equipment, Conducting Transportation, and General and Miscellaneous. The amounts charged to the railway department should be handled in the books of the lighting and power department through such accounts as "Other Operations—Cr."

The Commission has not prescribed a classification of revenues and expenses for outside operations for electric railways.

One balance sheet is all that is necessary for the entire business described in this query.

CASE 37.

Query. To what account should be charged payments made to the Government, on the basis of a specific charge per passenger, for the privilege of operating cars over its bridge?

Answer. Charge to "Taxes." (See Cases 95 and 225.)

CASE 38.

Query. What disposition should be made of custom labor or labor of employees in various departments on work entirely outside of railway operation, for which the railroad is reimbursed the wages of the employees, together with the profit on same and the general shop expenses? What disposition should be made of profits on new material sold to some outside concern from store-room stock which has been handled in sales account?

Answer. Assuming that the amount involved in the custom labor account is small, and that the expenses have been charged to operating accounts, items covering labor performed for outside parties, together with the percentage added for profit and general

shop expenses, should be debited to "Accounts Receivable" and credited to the operating expense accounts originally charged.

The net revenue from the sales account should be handled as miscellaneous income.

CASE 39.

Query. To what account should be charged the cost of new structures and general improvements in a free private park, and the maintenance expenses of such a park?

Answer. The cost of new structures and improvements of a substantial character in a free private park should be charged to account No. 33, "Park and Resort Property," in the Classification of Expenditures for Road and Equipment of Electric Railways.

Maintenance expenses of such a park should be charged to operating expense account No. 46, "Advertising." (*See Case 189.*)

CASE 40.

Query. Should the expense of sprinkling streets be charged to the same account as sanding and cleaning track?

Answer. The cost of sprinkling roadway and track, when not done directly in connection with construction or repairs of track or paving, should be charged to operating expense account No. 11, "Cleaning and Sanding Tracks." The cost of sprinkling rendered necessary by construction or repairs of track or paving should be charged to the proper construction or maintenance account.

CASE 41.

Query. A company, organized for purely local street railway business and having no electric lighting or gas department and no joint arrangement with any other company in the operation of cars, requests information as to the manner in which the accounts in various parts of the Classification of Operating Expenses, "Other Operations—Dr." and "Other Operations—Cr.," would enter into its records.

Answer. From the foregoing statement it is evident that the company in question will not require the accounts "Other Operations—Dr." and "Other Operations—Cr." It is not expected that a carrier will keep any accounts on its books for which it has no need.

CASE 42.

Query. The A and B Light and Traction Company operates gas, electric light, and street railway properties. The operating expenses of the three coordinate departments are kept entirely separate, except the general expenses, consisting of clerical salaries, rent, taxes, and office supplies. Will it be satisfactory to the Commission for us to continue carrying expenses of this character in one account covering all departments, and so state the fact in our annual report?

Answer. Where a company operates both a railway department and a lighting department, the entire cost of producing power should be carried in the primary accounts either of the railway department or of the lighting department, and the amounts chargeable to the other department should be handled through the various accounts, "Other Operations—Dr." and "Other Operations—Cr." For example, if the cost of power is carried in the primary accounts of the railway department, the proportion of operating expenses chargeable to the lighting department should be credited to the various "Other Operations—Cr." accounts. In the case cited, the proportion of general expenses chargeable to the lighting department would appear as a credit under account No. 81, "Other Operations—Cr."

Taxes need not be subdivided between the railway and lighting departments. Taxes should be treated through the Income Account.

CASE 43.

Query. We are charging to account No. 56, "Power Purchased," the actual cost of electric current generated at our plant (gas, electric light, and street railway property) consumed by the railway department. Is this correct?

Answer. The practice above outlined is not in accordance with the requirements of the Classification of Operating Expenses of Electric Railways. Account No. 56, "Power Purchased," is provided for expenditures for power purchased from other companies. (See Case 42.)

CASE 44.

Query. To what account should be credited the amount received from the sale of manure removed from stables?

Answer. To operating expense account No. 86, "Stable Expenses."

CASE 45.

Query. This company operates a sprinkling car for the purpose of sprinkling certain streets and highways on which our track is laid. The city in which this service is performed pays us, as its proportion of the cost of this service, from 15 to 20 cents per sprinkler car-mile run. Please advise to what accounts the corresponding debits and credits should be made.

Answer. The amount received from the city should be credited to revenue account No. 9, "Miscellaneous Transportation Revenue."

In case the service mentioned is performed primarily as a service for the benefit of the road, and the amount received from the city is only incidental, the expense of operating the sprinkling car should be charged to operating expense account No. 11, "Cleaning and Sanding Tracks," and the cost of maintenance and repairs to account No. 35, "Service Cars." If, however, the service rendered is primarily for revenue purposes, the operating expenses should be charged to the appropriate operating expense accounts, as in any other revenue movements. (*See Case 84.*)

CASE 46.

Query. Is there not a conflict between account No. 10, "Paving," and account No. 16, "Crossings, Fences, Cattle Guards, and Signs," in the Classification of Expenditures for Road and Equipment of Electric Railways, so far as they refer to labor and material on crosswalks?

Answer. There is no conflict between the accounts mentioned. Account No. 10 embraces the expense of labor and material used in crosswalks constructed in connection with paving on streets along which the electric road extends; while account No. 16 covers street and road crossings at other points, where it may be necessary to construct entirely new crossings or to provide crossings of an improved character over those previously existing.

CASE 47.

Query. To what operating expense account should be charged the cost of labor and material used in connection with the repair of overhead contacts installed in the trolley wire, and of wires leading from the trolley to magnets, etc., which operate an elec-

tric track switch, a device for automatically doing the work of a switchman through the operation of the magnets?

Answer. The cost of material should be charged to account No. 6, "Special Work," and the cost of labor to account No. 8, "Roadway and Track Labor."

CASE 48.

Query. To what account should be charged an amount paid for rent of land on which a "Y" or switch is located?

Answer. To account No. 19, "Other Miscellaneous Way Expenses," in the Classification of Operating Expenses of Electric Railways.

CASE 49.

Query. This company has an arrangement with telephone, telegraph, and electric lighting companies, whereby it pays an amount for the privilege of making attachments to their poles for carrying its wires, and collects from them another amount for attachments to its poles for carrying their cables and wires. To what accounts should the resulting debit and credit be made?

Answer. Charge the amount paid to operating expense account No. 24, "Miscellaneous Electric Line Expenses," and credit the amount received to revenue account No. 17, "Rents of Buildings and Other Property."

CASE 50.

Query. To what account should be charged the cost of *material* used in the construction of a retaining wall for the protection of banks from high tides, it being understood that account No. 8, "Roadway and Track Labor," is intended to cover the cost of labor expended in such work?

Answer. Operating expense account No. 8, "Roadway and Track Labor," is intended to cover the cost of *labor* expended in "protecting banks by retaining walls, riprap, piling, piers, dikes, or other means." The cost of *material* used in connection with such work properly chargeable to operating expenses should be charged to account No. 10, "Miscellaneous Roadway and Track Expenses."

Expenditures of the above nature arising in connection with the construction of a new road should be charged to account No. 4, "Grading," in the Classification of Expenditures for Road and Equipment of Electric Railways.

CASE 51.

Query. To what account should be charged rent of land used for storage of track material, part of which is for use in repairs of track, but most of which is for use in the construction of new track?

Answer. Unless the amount paid for rent of land used for the storage of track material is a large item, such as several hundred dollars per annum, it should be charged to operating expense account No. 85, "Store Expenses." In case the amount paid is a considerable item, there is no objection to including an appropriate proportion in the construction accounts. Owing to the fact that it would be impracticable to divide this rental charge among the various construction material accounts, the amount should be charged to account No. 44, "Miscellaneous," in the Classification of Expenditures for Road and Equipment of Electric Railways.

CASE 52.

Query. Has the Interstate Commerce Commission prescribed any account for depreciation of way and structures or equipment?

Answer. The Interstate Commerce Commission does not require any electric railway company to keep account No. 26, "Depreciation of Way and Structures," and account No. 42, "Depreciation of Equipment," unless these accounts are prescribed by the Railway Commission of the State in which such company operates the major portion of its mileage. (See Case 215.)

CASE 53 (amended).

Query. Is it proper to charge to account No. 41, "Interest," in the Classification of Expenditures for Road and Equipment of Electric Railways, interest paid on loans made for construction purposes by an operating electric railway company, said interest accruing on money used in building new tracks and for additional power-plant equipment and other construction purposes?

Answer. Interest on loans made for construction purposes that accrues during the construction period should be charged to account No. 41, "Interest." Interest which accrues after the completion of construction work is not chargeable to this account. (See Case 29.)

CASE 54.

Query. Should revenue account No. 15, "Rents of Tracks and Terminals," be credited with all compensation received for the use of tracks and electric lines, including services performed in connection with the dispatching and general supervision of the electric cars of one company using the tracks of another company?

Answer. All compensation of this nature should be credited to revenue account No. 15, "Rents of Tracks and Terminals." No provision is made in the electric classifications for joint facilities accounts.

CASE 55.

Query. This company owns a nine-story building. One-third of the ground floor is used for tracks for cars running into and out of the building, waiting room, ticket office, etc., and the balance is rented for store purposes, concessions, etc. The general offices occupy about one floor, and the remaining floors are rented for office purposes. Should rents received from tenants be credited to operating revenues or miscellaneous income?

Answer. Rents should be credited to revenue account No. 17, "Rents of Buildings and Other Property," if the expense of maintaining and operating the portions rented can not be separated from the expense of maintaining and operating the portion used by the railway company. In case the expense of maintaining and operating the portions rented can be separated from the expense of maintaining and operating the portion used by the railway company, the rents received should be included in Income and not in Operating Revenues, and the expense of maintaining and operating the rented portions should be charged against the rents received.

CASE 56.

Query. We are in doubt as to the proper account to be charged for trolley parts, namely, wheels, axles, washers, springs, harps, poles, bushings, etc., and carbon brushes, carbons, headlight parts, etc. Should these items be charged to accounts 32 to 37, inclusive, or to account No. 63, "Miscellaneous Car-Service Expenses"?

Answer. All such parts as pertain to maintenance of equipment are chargeable to operating expense account No. 32, "Passenger and Combination Cars"; account No. 33, "Freight, Express, and Mail Cars"; account No. 34, "Locomotive"; account No. 35,

"Service Cars"; account No. 36, "Electric Equipment of Cars"; or account No. 37, "Electric Equipment of Locomotives." Account No. 63, "Miscellaneous Car-Service Expenses," includes only such items as do not pertain to maintenance of equipment.

The following indicates the line of demarcation between the electric equipment of a car and the car: Electric equipment of a car includes the electric *motive* equipment and wiring; the term "car" includes the car body and trucks, electric bells and wiring, electric heaters and wiring, electric lighting and wiring, and air-brake equipment and wiring.

Under this segregation, carbons used in electric arc headlights are chargeable to account No. 63, "Miscellaneous Car-Service Expenses," and the other items named to accounts 32 to 37, inclusive.

CASE 57.

Query. Are Class B and Class C electric railways required to keep the 44 accounts composing the Classification of Expenditures for Road and Equipment of Electric Railways, and the 19 accounts composing the Classification of Operating Revenues of Electric Railways, the same as Class A companies?

Answer. All electric railways subject to the jurisdiction of the Interstate Commerce Commission are required to keep their road and equipment and revenue accounts under the same classifications, no condensed classification of road and equipment accounts or of revenue accounts being provided for Class B or Class C companies.

CASE 58.

Query. What is meant by the term "Car Hours" as used in the mileage, traffic, and miscellaneous statistics of the form for annual report, particularly with reference to "Passenger Car Hours"?

Answer. "Passenger Car Hours" include not only the actual time while in revenue service, but also the time consumed in running from carhouses to points where regular service is begun, time lost between trips, and time lost on account of delays caused by blockades, parades, etc. It includes the entire time during which the cars are in charge of the motormen and conductors.

CASE 59.

Query. Is it permissible to apportion store and stable expenses among the water, light, and railway departments in proportion to the services rendered by the storeroom and the stables?

Answer. The proportion of store and stable expenses chargeable to the water and light departments should be handled through account No. 81, "Other Operations—Cr.," it being the intention that the "Other Operations" accounts should apply in connection with all General and Miscellaneous accounts.

Carriers are at liberty to distribute store and stable expenses of the railway department to the various operating expense accounts affected, but for the purpose of the annual reports the amounts distributed should be reported under account No. 85, "Store Expenses," and No. 86, "Stable Expenses," and such amounts eliminated from the accounts to which they were originally distributed.

In this connection attention is called to the fact that no portion of store expenses or stable expenses which is properly chargeable to road and equipment should be included in accounts Nos. 85 and 86, as these accounts are intended to cover only operating expenses. (*See Case 10.*)

CASE 60.

Query. A company is required by its franchise to widen one of the streets upon which it operates, and pay all expenses of excavating, moving back and resetting curbs, constructing new catch basins with sewer connections, adjusting all sidewalks and crosswalks disturbed, readjusting all pole lines, hydrants, etc., owned by other corporations, and laying a new asphalt pavement between the brick-paved railroad strip and the curbs. Would it be proper to consider this as an incidental cost of the road itself and chargeable to account No. 2, "Right of Way," or should the cost be charged to account No. 44, "Miscellaneous"?

Answer. The cost should be charged to account No. 2, "Right of Way," except cost of paving, which should be charged to account No. 10, "Paving." (*See Cases 116 and 191.*)

CASE 61.

Query. Is it intended that account No. 25, "Buildings and Structures," shall be used solely for repairs of owned buildings, or may the cost of repairs to rented buildings be included?

Answer. Account No. 25, "Buildings and Structures," is intended to include cost of repairs of owned buildings or buildings held under long-term leases. The cost of repairs of buildings rented from month to month is not to be included in this account, but should be charged to the account to which the rent is charged.

CASE 62.

Query. Should repairs to rented passenger waiting rooms where tickets are sold be charged to account No. 65, "Station Expenses"?

Answer. Yes. (See Case 61 respecting repairs to buildings held under long-term leases.)

CASE 63.

Query. Should repairs to general offices that are rented be charged to account No. 25, "Buildings and Structures," or to account No. 75, "General Office Supplies and Expenses"?

Answer. Charge to account No. 75, "General Office Supplies and Expenses." (See Case 61 respecting repairs to buildings held under long-term leases.)

CASE 64.

Query. We have a contract with another carrier under which the other carrier provides cars and maintains them for the purpose of furnishing through service. Regular fares are collected to and from junction point by the other carrier. While these cars are on our tracks we pay all expenses of operation and retain all fares collected for transportation between points on such tracks, but pay to the other company a certain part of the fares collected from passengers traveling from or to points beyond the junction. How shall we charge amounts paid under this contract?

Answer. Charge to account No. 88, "Rent of Equipment."

CASE 65.

Query. In account No. 19, "Poles and Fixtures," in the Classification of Expenditures for Road and Equipment of Electric Railways is the statement, "To this account should be charged the cost of * * * brackets and other pole fixtures; * * * also structures for supporting the overhead electric railway construction." In account No. 22, "Distribution System," in the same classification is the statement, "To this account should be charged the cost of material used and labor expended in constructing distribution system, including * * * overhead trolley lines, including cost of trolley, guard, span, strain, supplementary, and other wires." Since brackets used for supporting trolley wires are analogous to span wires, should not the cost of such brackets be charged to account No. 22, "Distribution System"?

Answer. Brackets used for supporting trolley wires are distinctly pole fixtures and should be charged to account No. 19, "Poles and Fixtures."

Possibly there has been some misunderstanding as to the meaning of "structures for supporting the overhead electric railway construction" in account No. 19. This is intended to cover such structures as steel catenary bridges, which are used by some railways to carry the double-track overhead lines and which have two side towers and a connecting truss built of light angles and channels.

CASE 66.

Query. Our master mechanic asks that we define the term "electric locomotive" in relation to the Classification of Operating Expenses of Electric Railways, his desire being to know whether the build of the machine or the use to which it is put governs. We have a machine with standard express car body, but with low speed, high-power motor equipment, which is used in handling ballast cars, flat cars, etc., in maintenance work, and sometimes in hauling such freight as lumber, wood, etc., in car lots.

Answer. In defining the term "electric locomotive" the build of the machine, rather than the use to which it is put, should govern. If it is so arranged that it can carry freight or passengers within itself, it should be considered a car.

This distinction seems necessary, as it frequently happens that regular passenger cars, freight cars, or work cars are used to haul other cars and to treat them as locomotives, when so used, would undoubtedly lead to confusion.

CASE 67.

Query. To what account in the Classification of Expenditures for Road and Equipment of Electric Railways should be charged the cost of electric headlights for passenger cars?

Answer. Account No. 35, "Cars." Account No. 37, "Electric Equipment of Cars," is intended to include only the electric motive equipment. (See Case 9.)

CASE 68.

Query. We have granted to other electric companies the privilege of attaching their wires to our poles. To what account should we credit revenue from this source?

Answer. To account No. 17, "Rents of Buildings and Other Property." (See Case 49.)

CASE 69.

Query. The Classification of Operating Revenues of Electric Railways provides in account No. 1, "Passenger Revenue," under the caption "Revenue from Transportation,"—"This account should be charged with amounts paid for * * * tickets redeemed." In Note B it is provided that all tickets may be credited to an open account and this account charged when tickets are collected. In case tickets are redeemed, should they not be charged to the open account to which the sale has been credited?

Answer. If advantage is taken of the privilege of crediting the sale of tickets to an open account, that account should also be charged with amounts paid for tickets redeemed.

CASE 70.

Query. Note B under revenue account No. 1, "Passenger Revenue," states that the proceeds from the sale of mileage books are to be carried to that account as they are honored for transportation. We have always handled the sale of these tickets by crediting directly to revenue, the same as we would round-trip tickets. Is it required that interurban companies reporting to the Commission shall follow the directions in account No. 1?

Answer. It is not permissible to credit revenue account No. 1, "Passenger Revenue," with receipts from mileage books at the time of sale. It will be necessary to credit receipts from mileage books to an open account at the time of sale and to charge such account and credit "Passenger Revenue" as the mileage is honored, in accordance with Note B.

CASE 71.

Query. When a railway company conducts a general lighting business, should the net earnings of the lighting department be included in the revenue statement under account No. 19, "Miscellaneous"?

Answer. Net earnings of the lighting department should not be included in operating revenues, but should be included in the Income Account as "Other Miscellaneous Income."

CASE 72.

Query. To what account should be charged subscriptions to funds raised for the purpose of entertaining conventions visiting our city?

Answer. A subscription to a fund for the purpose of entertaining a convention should be considered as a donation for traffic purposes, and, therefore, should be charged to account No. 46, "Advertising."

CASE 73.

Query. Should the cost of tools used in maintenance of way and structures, including those used in the repairs and renewals of bridges and buildings, interlocking systems, transmission and distribution systems, and the cost of crucibles, etc., used in connection with a thermit welding machine, be charged to account No. 10, except as provided in accounts Nos. 11 and 12?

Answer. Account No. 10, "Miscellaneous Roadway and Track Expenses," includes only the "cost of roadway tools when chargeable to expenses and cost of all material used and labor expended in repairing and renewing all tools, implements, flags, lanterns, etc., used in repairing roadway and track." This would include crucibles, etc., used in connection with a thermit welding machine.

The cost of renewing and repairing tools should be charged to account No. 15, "Bridges, Trestles, and Culverts," if the tools are used in the maintenance of bridges; to account No. 17, "Signal and Interlocking Systems," if used in the maintenance of interlocking systems; to account No. 24, "Miscellaneous Electric Line Expenses," if used in the maintenance of transmission and distribution systems; and to account No. 25, "Buildings and Structures," if used in the maintenance of buildings.

It is not necessary to apportion among a number of accounts the cost of maintenance of tools used for general purposes.

CASE 74.

Query. A conductor on one of our cars, in discharge of his duty, ejected an unruly passenger who refused to pay fare. In doing so the conductor was injured to such an extent that he was unable to attend to his duties for some time. It has been decided to pay the conductor for all of the time lost. Is this a proper charge to account No. 82, "Injuries and Damages"?

Answer. The payment should be charged to account No. 82, "Injuries and Damages." (*See Cases 16 and 150.*)

CASE 75.

Query. Please advise if premiums paid to guaranty companies for bonds furnished municipalities in accordance with franchises granted for the privilege of constructing and operating railroads on the streets should be charged to account No. 83, "Insurance," in the Classification of Operating Expenses of Electric Railways. The bonds referred to are given for the faithful performance of all the terms of the franchise, including the construction of the line, the payment of a percentage of the gross receipts, and in some instances the maintenance and operation. The bonds are continuous and run during the life of the franchise.

Answer. Such payments should be charged to account No. 44, "Miscellaneous," in the Classification of Expenditures for Road and Equipment of Electric Railways, when they are incurred in connection with construction work; and to account No. 79, "Miscellaneous General Expenses," in the Classification of Operating Expenses of Electric Railways, when they are incurred in connection with operation.

CASE 76 (*amended*).

Query. In the text of the Classification of Operating Expenses of Electric Railways no specific mention is made of the expenses of maintenance of dams, reservoirs, canals, and pipe lines feeding hydraulic generating plants. What disposition is to be made of this class of expenses?

Answer. The cost of maintenance of such structures should be charged to account No. 25, "Buildings and Structures," in the Classification of Operating Expenses of Electric Railways.

CASE 77.

Query. This company uses large numbers of portable iron signs, which are hooked on the fronts of the cars to indicate their destination. They are in nowise permanent fixtures of the cars, but are used on different cars as occasion requires. On some of our new cars we have adjustable signs which consist of rolls with various destinations painted thereon and are attached to the cars

themselves. To which accounts should the cost of these signs be charged?

Answer. The portable signs should be charged to account No. 63, "Miscellaneous Car-Service Expenses," and the adjustable signs attached to the cars to account No. 32, "Passenger and Combination Cars."

CASE 78.

Query. To what account should be charged the cost of removing water resulting from the melting of snow on city streets?

Answer. To account No. 12, "Removal of Snow, Ice, and Sand." (See Case 87.)

CASE 79.

Query. Should the wages of engineers and other employees engaged in operating power stations and substations be charged to repair accounts when engaged in making minor repairs during their regular hours?

Answer. It is not intended that any portion of the wages of engineers and other employees engaged in station operation should be charged to repair accounts when they are engaged incidentally during their regular shifts in making minor repairs.

As a general rule, it is not necessary to distribute the wages of a regular employee to the several accounts affected if part of his time is devoted only incidentally to repair work. If, however, he is required to devote a considerable part of his time to such repairs, his wages should be apportioned to the proper accounts in accordance with the work performed. (See Cases 149, 248, and 254.)

CASE 80.

Query. To what account should be charged the cost of printing tariffs, and the cost of printing orders for conductors and motormen in connection with transportation rules, regulations, etc.?

Answer. To account No. 84, "Stationery and Printing."

CASE 81.

Query. Much of our track is located on streets with macadam surface. Should the cost of repairing the macadam be charged to "Paving" or to "Miscellaneous Roadway and Track Expenses"?

Answer. To account No. 9, "Paving."

CASE 82.

Query. We have a track that is "plain back filled," that is, filled with crushed stone to the top of the rails. Should the cost of this filling be charged to account No. 2, "Ballast," or account No. 10, "Miscellaneous Roadway and Track Expenses"? Strictly speaking, it is not ballast, although, in many instances, it would be hard to distinguish it from ballast.

Answer. The cost of filling track with crushed stone to the top of the rails should be charged, when done in connection with maintenance, to account No. 2, "Ballast," and account No. 8, "Roadway and Track Labor."

CASE 83.

Query. Under our contract for carrying the mail we are required to transfer the mail at certain points from the cars to the post-office. To what account shall we charge the cost of this service?

Answer. Specific payments for this service should be charged to account No. 72, "Other Transportation Expenses."

CASE 84.

Query. Since commencing operation we have adopted the policy, in connection with our work-car service, of charging our several departments with the use of work cars at the rate of 65 cents per car hour. This has been done for the reason that we have had to do considerable hauling for the contractors who built the road. We have also charged each department in order that the department head would have it brought more forcibly to his attention that it was the desire of the management that the work cars be used as little as possible. This charge of 65 cents per hour has been credited—50 cents to "Purchased Power" and 15 cents to "Miscellaneous Revenue," which division is based upon an estimate of the amount of power used and the amount necessary to compensate the company for loss through wear and tear, etc. Is this correct?

Answer. No charge should be made against maintenance or other operating accounts for the use of work cars. In the case of cars used on construction work by the company itself, if charge is made against construction accounts it should be as near

actual cost as possible, and credit should be given to revenue account No. 9, "Miscellaneous Transportation Revenue." When a charge is made against a contractor for use of equipment, credit should be given to account No. 9.

The wages of conductors, motormen, and other employees engaged in this service should be charged to account No. 62, "Miscellaneous Car-Service Employees." (*See Cases 33 and 45.*)

CASE 85.

Query. Notes under operating expense accounts Nos. 3, 4, 5, and 6 provide that the cost of labor of unloading shall be charged to account No. 8. If this refers to the first handling of material from cars or boats to yards or docks, it will be difficult, if not impossible, to separate that portion properly chargeable to operating expenses from that chargeable to expenditures for road, as it will not be possible when the material is received to tell which part of the material will be used in repairs and which part in construction. This labor has always been considered as part of the cost of material. Should it not be so considered?

Answer. The notes under the accounts mentioned do not refer to the first handling of material from cars or boats to yards or docks, but to the unloading at the points where the material is to be used. The cost of the first handling is properly chargeable to the cost of the material.

CASE 86 (*amended*).

Query. Should the cost of labor and materials, such as special grubbing tools, liquid weed-killer, and sprinkling devices, used in clearing track and right of way of weeds, be charged to account No. 11, "Cleaning and Sanding Tracks"?

Answer. The material should be charged to account No. 10, "Miscellaneous Roadway and Track Expenses," and the labor to account No. 8, "Roadway and Track Labor."

CASE 87.

Query. May we charge the cost of removing flood water from tracks, including maintenance in connection with track drainage, to "Removal of Snow, Ice, and Sand"? If not, what account should be charged?

Answer. The cost of material used in removing flood water from track should be charged to account No. 10, "Miscellaneous Roadway and Track Expenses," and the labor to account No. 8, "Roadway and Track Labor," except as provided in Case 78.

CASE 88.

Query. Should the cost of placing and removing portable snow fences be charged to "Removal of Snow, Ice, and Sand" or to "Crossings, Fences, Cattle Guards, and Signs"?

Answer. To account No. 12, "Removal of Snow, Ice, and Sand."

CASE 89.

Query. To what account should be charged the cost of planks used in crossings of steam railroads in city streets?

Answer. If the planks are used in maintenance, the cost should be charged to account No. 16, "Crossings, Fences, Cattle Guards, and Signs," in the Classification of Operating Expenses of Electric Railways; if used in construction, to account No. 16, "Crossings, Fences, Cattle Guards, and Signs," in the Classification of Expenditures for Road and Equipment of Electric Railways.

CASE 90.

Query. To what account should be charged the cost of wooden plugs used for filling spike holes in ties?

Answer. To account No. 3, "Ties."

CASE 91.

Query. Should the wages of levermen on derailleurs at steam railroad crossings be charged to "Miscellaneous Car-Service Employees" or to "Operation of Signal and Interlocking Systems"?

Answer. Should be charged to account No. 68, "Operation of Signal and Interlocking Systems."

CASE 92.

Query. Should the wages of blacksmiths and helpers and cost of coal and other supplies for track shop be charged to "Shop Expenses" or to "Miscellaneous Roadway and Track Expenses"?

Answer. The expense of such labor should be charged to account No. 8, "Roadway and Track Labor," and supplies used solely in track maintenance should be charged to account No. 10, "Miscellaneous Roadway and Track Expenses."

CASE 93.

Query. To what account should be charged cost of removing car ashes from cars to dump?

Answer. If removal is made by company employees, the cost should be charged to account No. 66, "Carhouse Employees;" otherwise to account No. 63, "Miscellaneous Car-Service Expenses."

CASE 94.

Query. Please advise whether the salaries of accounting department clerks engaged in handling the accounts of the maintenance of way, mechanical, and stores departments should be charged to account No. 74, "Salaries and Expenses of General Office Clerks," or apportioned to account No. 1, "Superintendence of Way and Structures," account No. 29, "Superintendence of Equipment," and account No. 85, "Store Expenses."

Answer. Assuming that the clerks in question, although exclusively engaged in handling the accounts pertaining to separate departments, are employed in the general accounting office, their salaries should be charged to account No. 74, "Salaries and Expenses of General Office Clerks."

CASE 95.

Query. Should amounts paid to cities for licenses to operate cars within city limits, and payments based on percentage of gross receipts in accordance with the terms of franchises, be charged to "Taxes" or to the Income Account?

Answer. Payments to municipalities for privilege of operating cars (license tax) and payments of a percentage of operating revenues in accordance with terms of franchises (franchise tax) should both be charged to "Taxes" under "Deductions from Income." (*See Cases 32, 37, and 225.*)

CASE 96.

Query. A ruling is desired as to the proper accounts to be charged with amounts paid for telephone service, such as for

tolls, and for rent of private lines and operating systems. They appear to be in the nature of miscellaneous expenses chargeable to the department for whose benefit the expenses are incurred.

Answer. Rent of telephone lines used primarily for the operation of cars should be charged to account No. 69, "Operation of Telephone and Telegraph Systems." All other telephone expenses should be charged to account No. 79, "Miscellaneous General Expenses." (*See Cases 209 and 230.*)

CASE 97.

Query. At different points on our line we have electric lights, some of which have been installed in accordance with our franchise agreements, others because of the necessity of providing lights for the safety of our passengers. To what account should the labor and material used in repairing and renewing such lights be charged?

Answer. The cost of repairing and renewing lights, either in accordance with franchise agreements or for the purpose of avoiding accidents, should be charged to account No. 72, "Other Transportation Expenses." In the case of lights installed at stations owned by a company, the cost of repairing and renewing wiring in connection with such lights should be charged to account No. 25, "Buildings and Structures," and the cost of renewing the lamps to account No. 65, "Station Expenses." If, however, the station is rented, the entire expense should be charged to account No. 65. If it is not practicable to separate the expense of renewing and repairing the wiring from that of renewing the lamps at stations owned by a company, the entire cost may be included in account No. 65.

CASE 98.

Query. Our franchise for the use of a county bridge carries an obligation to pay a proportion of the cost of bridge maintenance and operation. How shall we charge such payments?

Answer. The cost of maintaining a bridge used under long-term lease or franchise should be treated the same as maintenance of property owned. With this understanding, the maintenance of the bridge in question should be charged to account No. 15, "Bridges, Trestles, and Culverts," and the cost of any paving done should be charged to account No. 9, "Paving." The wages of bridge tenders should be charged to account No. 62, "Miscellaneous Car-Service Employees."

CASE 99.

Query. What is the proper disposition of the cost of patterns used in making castings? In some cases these patterns were made for cars being built, and are carried in stock and used for making repair parts when necessary. In other cases the patterns are made entirely for casting repair parts. Is it proper to charge the cost of the patterns to the cost of the equipment built, in the first instance, and to the cost of repairing the equipment in the second instance, or should the patterns be treated as hand tools and machine tools?

Answer. The cost of patterns made expressly for the casting of repair parts should be included in the cost of repairing equipment. The cost of patterns originally made for cars being built by a company should be included in the cost of the equipment.

CASE 100.

Query. Referring to accounts Nos. 7, "Rails, Rail Fastenings, and Joints," and 8, "Special Work," in the Classification of Expenditures for Road and Equipment of Electric Railways, kindly advise to which of these accounts should be charged the cost of guard rails placed around plain curves in main tracks where there are no frogs, switches, cross-overs, or other special work in connection therewith. Does account No. 8, "Special Work," include the cost of any guard rails except those used in connection with railroad crossings, cross-overs, frogs, switches, turn-outs, or other parts of the track made to order?

Answer. The cost of guard rails placed around plain curves in main tracks where there are no frogs, switches, cross-overs, or other special work in connection therewith should be charged to account No. 7, "Rails, Rail Fastenings, and Joints." Account No. 8, "Special Work," should include the cost of only such guard rails as are used in connection with railroad crossings, cross-overs, frogs, switches, turn-outs, and other parts of the track made to order. (See Case 25.)

CASE 101.

Query. We are required by city ordinance to cut and replace overhead wires when it is necessary to move any building across or along our streets. Is this a proper charge to Operating Expenses or to Income?

Answer. Such expenses should be charged to account No. 24, "Miscellaneous Electric Line Expenses."

CASE 102.

Query. This company owns ferry slips at a wharf in connection with which we have considerable maintenance expenses. Should we charge to a subaccount under No. 19, "Other Miscellaneous Way Expenses," or to account No. 25, "Buildings and Structures"? At the end of the wharf are fuel oil tanks for the operation of our ferry. Should we charge maintenance expenses to account No. 19, "Other Miscellaneous Way Expenses," or to account No. 25, "Buildings and Structures"?

Answer. Expenses of maintenance of ferry slips and ferry fuel oil tanks should be charged to account No. 25, "Buildings and Structures."

CASE 103.

Query. Is it necessary for a carrier operating a ferry to separate its general and miscellaneous operating expenses between the railway and the ferry?

Answer. No.

CASE 104.

Query. To what account should be charged tools other than track tools, such as wheelbarrows, hose, level boards, paving hammers, hydrant wrenches and reducers, mattocks, hand axes, rail tongs, etc., purchased for construction work?

Answer. These tools should be charged to the construction work for use upon which they are issued, and if after the completion of the work the tools have any salvage value, it should be credited to the work to which the tools were originally charged, and charged to the work to which the tools are thereafter applied. (See Cases 190 and 195.)

CASE 105.

Query. To what account should be charged the cost of track inlets for surface water and their sewer connections?

Answer. To account No. 10, "Paving," in the Classification of Expenditures for Road and Equipment of Electric Railways.

CASE 106.

Query. Kindly advise the proper distribution of the following named expenses:

(1) Cost of uniforms donated to conductors and motormen who have been in service for a certain number of years.

(2) Cost of uniforms and badges for inspectors and car starters whose time is chargeable to account No. 48.

(3) Trustees' commissions and fees for paying out bond interest on clipped coupons, and expenses, including registrars' fees, connected with same.

(4) Premiums on fidelity bonds of employees.

(5) Fees for filing annual reports with the State.

(6) Cost of free entertainments given employees.

(7) Cost of general audit of company's books by an audit company.

Answer. The items described should be charged under the Classification of Operating Expenses of Electric Railways as follows:

(1) To account No. 63, "Miscellaneous Car-Service Expenses."

(2) To account No. 48, "Superintendence of Transportation."

(3) To account No. 79, "Miscellaneous General Expenses."

(4) To account No. 83, "Insurance."

(5), (6), (7) To account No. 79, "Miscellaneous General Expenses."

CASE 107.

Query. Is it intended that items properly chargeable to account No. 39, "Shop Expenses," in the Classification of Operating Expenses of Electric Railways, are to remain as charged or may they be distributed in the same manner as store expenses?

Answer. It is not intended that the items contained in account No. 39, "Shop Expenses," should be distributed to the various operating accounts benefited thereby. However, if any portion of shop expenses is properly chargeable to road and equipment, such portion should be deducted from account No. 39, "Shop Expenses," since that account should represent only the portion chargeable to operating expenses.

CASE 108.

Query. To what account should be credited the value of coupons from mileage books which for any reason remain unrepresented?

Answer. To account No. 1, "Passenger Revenue."

CASE 109.

Query. Is there any objection to the creation of a reserve fund to take care of settlements of loss and damage claims filed by

shippers of freight? The intention is to make charges of an arbitrary amount, so as to take care of claims of this nature during the period within which the damage is done.

Answer. There is no objection to including in operating expenses each month a proportion of the total amount which it is estimated will be necessary to expend on account of loss and damage claims, provided that the charges are adjusted annually so far as practicable.

CASE 110.

Query. To what account should be charged the expense of moving the poles of another company which were located closer to our tracks than we deemed safe, and which we moved back to give proper clearance? When the line was originally constructed the location was presumably all right, but in the course of time, in consequence of operating larger cars and at an increased speed, the present management did not consider the clearance sufficient.

Answer. It is proper to charge the cost of this work to account No. 2, "Right of Way," in the Classification of Expenditures for Road and Equipment of Electric Railways, unless the amount involved is insignificant. In case it is decided to charge the cost to operating expenses, it should be charged to account No. 19, "Other Miscellaneous Way Expenses."

CASE 111.

Query. To what account should be charged the salaries of clerks employed in compiling data and making out reports to the Public Service Commission, State Board of Tax Commissioners, Department of Commerce and Labor, etc.? To what account should the salaries of engineers employed in compiling data in regard to way and structures for such reports be charged?

Answer. The salaries of clerks should be charged to account No. 74, "Salaries and Expenses of General Office Clerks." The salaries of engineers should be charged to account No. 1, "Superintendence of Way and Structures."

CASE 112.

Query. To what account should be charged amounts paid to the United States Government for the right to operate a line across a government reservation?

Answer. If the cars have a private right of way over the government reservation, the payments should be charged to operating expense account No. 19, "Other Miscellaneous Way Expenses." If the line runs in a highway which the Government allows other people to use, the payments should be charged to "Taxes." (See Cases 32 and 37.)

CASE 113.

Query. Frequently when streets upon which rails are laid are torn up for repairs it is necessary for passengers to change from cars on one side of the break in the street to cars on the other side, and men are stationed at the break to care for the cars, to assist the passengers if required, and to perform any other duties in connection therewith. The men employed for this work are not regular car-service employees. To what account should their wages be charged?

Answer. To account No. 62, "Miscellaneous Car-Service Employees."

CASE 114.

Query. To what account should be charged the cost of filling land?

Answer. The cost of filling land, in the ordinary acceptance of the term, should be added to the cost of the land.

CASE 115.

Query. To what account should be charged the cost of painting or stenciling numbers on poles for the purpose of identification and record?

Answer. The cost of first painting or stenciling numbers on poles should be charged to account No. 19, "Poles and Fixtures," in the Classification of Expenditures for Road and Equipment of Electric Railways. Renewals should be charged to account No. 20, "Poles and Fixtures," in the Classification of Operating Expenses of Electric Railways. It is not the intention that carriers should be required to charge insignificant amounts to construction accounts.

CASE 116.

Query. A town, in granting a franchise for the construction of a new line on the streets, requires the railway company to set back the curbs and flags. The work is not necessary for the con-

struction of the road itself, as there is plenty of room on the highway without setting back the curbs. To what account in the Classification of Expenditures for Road and Equipment of Electric Railways should such expenditures be charged?

Answer. Expenditures of this nature should be charged to account No. 2, "Right of Way." In case there is any paving to be done in connection with this work, the cost of such paving should be charged to account No. 10, "Paving," in the same classification. (See Case 60.)

CASE 117.

Query. To what accounts should the following items be charged?

(1) City assessment for street grade crossing our right of way, being our proportion for the right of way abutting street and extending back from the street.

(2) City assessment for new trunk sewer, being the amount charged us for our proportion based on right of way through the section served by the sewer.

(3) City assessment for new street pavement, being our proportion of paving inside and alongside our tracks on streets on which our track is laid, the streets not having been previously paved.

(4) Cost of installing new crossings when new streets are opened.

Answer. The items described should be charged under the Classification of Expenditures for Road and Equipment of Electric Railways as follows:

(1) To account No. 16, "Crossings, Fences, Cattle Guards, and Signs."

(2) To account No. 2, "Right of Way." (See Case 222.)

(3) To account No. 10, "Paving." (See Cases 2 and 222.)

(4) To account No. 16, "Crossings, Fences, Cattle Guards, and Signs."

CASE 118.

Query. To what account should be charged the expense of an examination of titles of real property and other questions affecting the validity of an issue of bonds?

Answer. To account No. 44, "Miscellaneous," in the Classification of Expenditures for Road and Equipment of Electric Railways.

CASE 119.

Query. To what account should be charged fees paid to an engineering corporation for supervising and managing the operation of an electric railway company?

Answer. To account No. 73, "Salaries and Expenses of General Officers," in the Classification of Operating Expenses of Electric Railways.

CASE 120.

Query. A State assesses railway corporations each year a certain amount graduated on basis of capital stock. To what account should the assessment be charged, or should it be treated under "Deductions from Income," as provided for taxes?

Would this apply to a franchise assessment of a percentage of gross earnings, levied under city ordinance?

Would it apply to what is known as a license tax levied by a city, based on a certain fixed charge per car for the number of cars operated in the city?

Answer. State taxes assessed against railway corporations, the amounts of which are graduated on a basis of capital stock, franchise taxes levied on operating revenues, and license taxes based on the number of cars operated in a city, should be charged to "Taxes" in the Income Account.

CASE 121.

Query. By reason of the construction of a sewer in a street occupied by an electric railway's tracks, it becomes necessary to lay a temporary track around the break in the regular line in order to maintain the regular running schedule and avoid compelling the passengers to make a change of cars at that point.

Should the cost of laying and removing the temporary track be charged to account No. 19, "Other Miscellaneous Way Expenses," or to account No. 88, "Miscellaneous Car-Service Expenses"?

Answer. The cost of temporary track made necessary by the removal of tracks for the purpose of laying a sewer should be charged to account No. 19, "Other Miscellaneous Way Expenses."

CASE 122.

Query. To what account should be charged the cost of "cattle passes," which are in the nature of undergrade crossings?

Answer. To account No. 16, "Crossings, Fences, Cattle Guards, and Signs," in the Classification of Expenditures for Road and Equipment of Electric Railways.

CASE 123.

Query. To what account should be charged the cost of putting in iron-pipe culverts for drainage purposes?

Answer. To account No. 15, "Bridges, Trestles, and Culverts," in the Classification of Expenditures for Road and Equipment of Electric Railways.

CASE 124.

Query. A blast, set off by a concern doing work for itself, so damaged our high-tension system as to cause a good many interruptions in the power and consequently our car service was somewhat delayed for several hours.

In addition to reimbursing us for the expense of restoring the high-tension system to its original condition, the concern has agreed to pay us a certain sum of money to reimburse us for the estimated loss of business suffered from the interruption of our service.

To what account shall we credit the amount paid to us for the estimated loss of business?

Answer. The amount may be credited to account No. 9, "Miscellaneous Transportation Revenue." Strictly speaking, this is not a transportation revenue, but as it is paid to replace what is conceded to be a transportation revenue, it may be so considered.

CASE 125.

Query. We are carrying in suspense an amount paid to a trust company for certification of bonds issued for construction purposes. To what account should it be charged?

Answer. Payments to trustees for certification of such bonds should be charged to account No. 44, "Miscellaneous," in the Classification of Expenditures for Road and Equipment of Electric Railways.

CASE 126 (amended).

Query. We are constructing a new power station which is to be operated by steam turbines. The water for the condensers in

this station is to be obtained from a pool in a near-by river to be formed by a dam at or near the station. To what account should be charged the cost of the dam and the pipes conveying the water from the pool to the condensers?

Answer. The cost of the dam as well as the cost of the pipes used in conveying the water from the pool formed by the dam should be charged to account No. 24, "Power-Plant Buildings," in the Classification of Expenditures for Road and Equipment of Electric Railways.

CASE 127 (*amended*).

Query. The salary of superintendent of power is included in account No. 48, "Superintendence of Transportation," in the Classification of Operating Expenses of Electric Railways. We have always included the salary of superintendent of power in power-house expenses. In view of the fact that we operate in one State only, kindly advise if we would not be justified in continuing this practice?

Answer. Under the classifications issued by this Commission it would not be proper for you to eliminate the salary and office and traveling expenses of the superintendent of power from account No. 48, "Superintendence of Transportation" and include them in some other account under Group I—Power.

However, there would be no objection to carrying such expenses as a subaccount under account No. 48, and for your own convenience including such subaccount under Group I—Power. Notice of the establishment of such a subaccount should be given to the Commission, subject to its disapproval.

CASE 128.

Query. To what account should be charged fees paid to directors?

Answer. To account No. 79, "Miscellaneous General Expenses," in the Classification of Operating Expenses of Electric Railways.

CASE 129.

Query. To what account should be credited the proceeds of an annual tax voted to a carrier by the districts through which the carrier operates?

Answer. This should not be credited to operating revenues, but should be handled through the Income Account.

CASE 130.

Query. To what account in the Classification of Expenditures for Road and Equipment of Electric Railways should be cleared "Rent and Operation of Equipment" (the operation of a rented locomotive, pile driver, etc., used in bridge and track work), "Miscellaneous General Expenses," and "Law Expenses?"

Answer. The account "Rent and Operation of Equipment" should be cleared to account No. 11, "Track Laying and Surfacing," and account No. 15, "Bridges, Trestles, and Culverts," unless a portion of the expense is directly chargeable to some other primary account in the Classification of Expenditures for Road and Equipment of Electric Railways. (See Case 186.)

Assuming that the account "Miscellaneous General Expenses" covers expenditures properly chargeable to account No. 44, "Miscellaneous," this account as well as the account "Law Expenses" (see account No. 40), should be carried as primary accounts under General Account III—General Expenditures.

CASE 131.

Query. To what account should be credited revenue from express traffic handled under a contract with an express company, the railway company owning the cars and charging the express company on a mileage basis?

Answer. To account No. 5, "Express Revenue," in the Classification of Operating Revenues of Electric Railways. The revenue received covers compensation for the handling of express traffic exclusively and should be treated accordingly, regardless of the arrangement or basis upon which the compensation is fixed.

CASE 132.

Query. Would it be proper to charge to road and equipment account No. 8, "Special Work," the cost of labor and material used in running a wire from a substation to several of our sidings for the purpose of turning on electric switch lights at said sidings by means of a switch at the substation?

Answer. No. The cost should be charged to account No. 17, "Interlocking and Other Signal Apparatus," in the Classification of Expenditures for Road and Equipment of Electric Railways. However, it is not the intention that carriers should be required to capitalize insignificant amounts.

CASE 133.

Query. To what accounts should be charged the cost of maintenance and operation of machinery in air-compressor stations, used for charging storage tanks for air brakes?

Answer. The cost of maintenance should be charged to account No. 38, "Shop Machinery and Tools," and the cost of operation to account No. 63, "Miscellaneous Car-Service Expenses."

CASE 134.

Query. To what accounts should be charged the cost of construction and maintenance of conduits and fixtures, built from a compressor station (located a block or so away from the main line) to a point alongside of the track, the conduits being used for conveying the compressed air to be used on cars on account of air brakes?

Answer. The cost of construction should be charged to account No. 32, "Shop Equipment," in the Classification of Expenditures for Road and Equipment of Electric Railways, and the cost of maintenance to account No. 38, "Shop Machinery and Tools," in the Classification of Operating Expenses of Electric Railways.

CASE 135.

Query. To what account should be credited interest earned on bank balances?

Answer. To "Interest on Deposits" in the Income Account.

CASE 136.

Query. In a certain system of side-bracket construction, the trolley is suspended by a short wire attached to the bracket. Is this piece of wire a part of the bracket and so chargeable to account No. 20, "Poles and Fixtures," or is it a span wire and so chargeable to account No. 23, "Distribution System"?

Answer. The wire is a part of the bracket, and the cost of maintenance should be charged to account No. 20, "Poles and Fixtures," in the Classification of Operating Expenses of Electric Railways.

CASE 137.

Query. Should not account No. 5, "Ballast," in the Classification of Expenditures for Road and Equipment of Electric Rail-

ways, provide for a separate account to cover ballast produced, as is provided in the Classification of Operating Expenses of Electric Railways?

Answer. If the entire cost of ballast produced is chargeable to road and equipment, it could be properly charged to account No. 5, "Ballast." If, however, the ballast produced is chargeable partly to road and equipment and partly to operating expenses, Note B, under account No. 2, "Ballast," in the Classification of Operating Expenses of Electric Railways, would apply.

CASE 138.

Query. Where track has been laid in an unimproved street under an ordinance which requires the carrier to pay its proportion of the paving when the city paves, should not this proportion be charged to account No. 10, "Paving," in the Classification of Expenditures for Road and Equipment of Electric Railways, even when the proportion is included in a special assessment and spread over a period of years?

Answer. Yes. (See Case 252.)

CASE 139.

Query. Should the cost of macadamizing a road or filling a dirt road up to the head of the rail be considered paving and charged to account No. 10, "Paving," in the Classification of Expenditures for Road and Equipment of Electric Railways, or should it be charged to account No. 11, "Track Laying and Surfacing," in the same classification?

Answer. The cost of macadamizing should be charged to account No 10, "Paving," and the cost of filling the dirt road up to the head of the rail should be charged to account No. 5, "Ballast."

CASE 140.

Query. Is it proper to charge account No. 15, "Bridges, Trestles, and Culverts," in the Classification of Expenditures for Road and Equipment of Electric Railways, with the cost of a trestle used to handle coal, when the coal is handled in the carrier's own cars and over its own road, and the trestle is used to secure sufficient elevation to dump the coal into coal pockets?

Answer. If the coal pocket is primarily for power station or generating uses, the cost of the trestle should be charged to ac-

count No. 24, "Power-Plant Buildings." If the coal pocket can not be considered a part of the power plant, the cost of the trestle should be charged to account No. 28, "Stations, Waiting Rooms, and Miscellaneous Buildings." (*See Case 144.*)

CASE 141.

Query. When rails are drilled at the mill for bonding and the cost is included in the price paid for the rails, should the entire cost be included in account No. 7, "Rails, Rail Fastenings, and Joints," in the Classification of Expenditures for Road and Equipment of Electric Railways?

Answer. Yes.

CASE 142.

Query. To what account should be charged the amount of conductors' remittances stolen from a safe provided by a carrier?

Answer. To account No. 79, "Miscellaneous General Expenses," in the Classification of Operating Expenses of Electric Railways.

CASE 143.

Query. When the general office is a part of the carhouse and occupies, say, the second story, how should the cost of the general office be charged?

Answer. The cost should be charged to account No. 27, "Shops and Carhouses," in the Classification of Expenditures for Road and Equipment of Electric Railways.

CASE 144.

Query. Should the cost of a coal pocket be charged to account No. 24, "Power-Plant Buildings," in the Classification of Expenditures for Road and Equipment of Electric Railways, as a building used in power generation, or to account No. 27, "Shops and Carhouses," as a storehouse, or to account No. 28, "Stations, Waiting Rooms, and Miscellaneous Buildings," as a building not otherwise provided for?

Answer. If the coal pocket is primarily for power station or generating uses, its cost should be charged to account No. 24, "Power-Plant Buildings." If the coal pocket can not be considered a part of the power plant, the cost should be charged to account No. 28, "Stations, Waiting Rooms, and Miscellaneous Buildings." (*See Case 140.*)

CASE 145.

Query. To what account should be charged the cost of snow plows, such as nose plows, etc., attached to cars?

Answer. The cost of snow plows attached to cars should be charged, under the Classification of Expenditures for Road and Equipment of Electric Railways, to account No. 35, "Cars," account No. 36, "Locomotives," or account No. 38, "Other Rail Equipment," according to the class of equipment to which the attachments are made.

The cost of repairing and renewing snow plows attached to cars should be charged, under the Classification of Operating Expenses of Electric Railways, to account No. 32, "Passenger and Combination Cars"; account No. 33, "Freight, Express, and Mail Cars"; account No. 34, "Locomotives"; or account No. 35, "Service Cars," according to the class of equipment to which the plows are attached.

CASE 146.

Query. Must account No. 25, "Buildings and Structures," in the Classification of Operating Expenses of Electric Railways, be subdivided into the subaccounts (a) to (i), or is this a permissible subdivision?

Answer. This subdivision is permissible, but not compulsory. If subprimary accounts are proposed, a list should be filed with the Commission subject to its disapproval.

CASE 147.

Query. To what account should be charged the cost of terminal houses erected to contain the apparatus necessary in connection with the change from high-tension overhead to underground line construction?

Answer. The cost of original installation should be charged to account No. 21, "Transmission System," in the Classification of Expenditures for Road and Equipment of Electric Railways. The cost of repairs should be charged to account No. 22, "Transmission System," in the Classification of Operating Expenses of Electric Railways.

CASE 148.

Query. When a substation attendant who has little or nothing to do, but must be on duty in case a circuit breaker goes out, also

sells tickets, handles express, etc., and generally acts as station agent, must his wages be apportioned, and, if so, on what basis?

Answer. The wages of such an employee should be apportioned among the accounts affected. It is not intended, however, to be too strict in a matter of this kind, and if the circumstances are such that any account could, with propriety, stand the entire expense, there would be no objection to following such a course.

CASE 149.

Query. When headlights, markers, etc., are cared for and handled at the general office, say, a mile from the carhouse, and the man who does this work also handles baggage and express matter, and acts as janitor of the building, must his wages be apportioned, and, if so, on what basis?

Answer. The wages of such an employee should be apportioned among the accounts affected. It is not intended, however, to be too strict in a matter of this kind, and if the circumstances are such that any account could, with propriety, stand the entire expense, there would be no objection to following such a course. (See Cases 79, 248, and 254.)

CASE 150.

Query. A conductor on duty is stabbed by a drunken passenger without any fault or negligence whatever on the part of the carrier. He has been a faithful employee and it has been decided to pay him for the time lost during the resulting illness. Should the amount be charged to account No. 79, "Miscellaneous General Expenses," or to account No. 82, "Injuries and Damages"?

Answer. To account No. 82, "Injuries and Damages." (See Cases 16 and 74.)

CASE 151.

Query. A conductor is knocked from a crowded running board of an open car while the car is passing close to a pile of building material of the existence of which he is well aware. No negligence on the part of the company is shown or claimed. He has been a faithful employee and it has been decided to pay him for the time lost during the resulting illness. Should the amount be charged to account No. 79, "Miscellaneous General Expenses," or to account No. 82, "Injuries and Damages"?

Answer. To account No. 82, "Injuries and Damages."

CASE 152.

Query. To what account should be charged the cost of renewing a pavement taken up during construction work for the purpose of removing obstructions such as gas and sewer pipes? This paving is more or less removed from the paving described as the paving strip, extending approximately two feet beyond the outside rail and between the rails, and is not maintained by the street railway company.

Answer. The cost of replacing a pavement taken up during construction work for the purpose of removing obstructions such as gas and sewer pipe, should be charged to account No. 10, "Paving," in the Classification of Expenditures for Road and Equipment of Electric Railways, whether or not such pavement is outside of the so-called paving strip maintained by the company in consequence of municipal requirements.

CASE 153.

Query. Is account No. 9, "Underground Construction," in the Classification of Expenditures for Road and Equipment of Electric Railways, intended to include all labor in placing the material described, as well as the cost of material itself, including transportation?

Answer. Such labor should not be included in account No. 9, "Underground Construction," but should be charged to account No. 11, "Track Laying and Surfacing," in analogy with maintenance account No. 8, "Roadway and Track Labor."

CASE 154.

Query. Should the cost of hauling track material from the storeroom to the place where it enters into construction be regarded as a part of the labor cost covered by account No. 11, "Track Laying and Surfacing," in the Classification of Expenditures for Road and Equipment of Electric Railways?

Answer. Yes.

CASE 155.

Query. How should guardrails, walks, and railings along the tracks of elevated railways be classified?

Answer. Timber guardrails, footwalks, and railings along the tracks of elevated railways should be charged to road and equip-

ment account No. 14, "Elevated Structures and Foundations." The reason that rails and ties are excluded from this account and put in separate accounts is, that they can be used on other road-beds. The timber work described, however, is peculiar to the elevated structure, and should therefore be included in that account for the same reason that all parts of bridges and trestles, except rails, cross-ties, etc., are included in account No. 15, "Bridges, Trestles, and Culverts," in the same classification.

CASE 156.

Query. In connection with the crossing gates of a railway there is used a cabin which contains the apparatus for operating the crossing gates. In some cases these are old cabins which were used by flagmen before the installation of crossing gates, and have simply been adapted to the new use of crossing gates; in other cases complete new cabins or towers are installed with crossing gates. Is it proper to include the cost of these cabins or towers in account No. 16, "Crossings, Fences, Cattle Guards, and Signs," in the Classification of Expenditures for Road and Equipment of Electric Railways?

Answer. Yes.

CASE 157.

Query. Should the cost of towers that contain the interlocking machinery be included in account No. 17, "Interlocking and Other Signal Apparatus," in the Classification of Expenditures for Road and Equipment of Electric Railways?

Answer. Yes.

CASE 158.

Query. This company is desirous of keeping a subaccount "Lighting System," under account No. 24, "Miscellaneous Electric Line Expenses," said account to contain the cost of maintaining the lighting system on both the elevated and the subway lines. It is the desire to show the cost of maintenance of the lighting system on both divisions in one account, which would not be possible if the cost of maintaining the lighting system of the subway were charged to account No. 13, "Tunnels," in the Classification of Operating Expenses of Electric Railways.

Answer. If the company is interested in having the cost of maintaining the lighting system included in a single item it may

keep the proposed account as an apportionment account to be cleared monthly, but it would destroy the uniformity sought if the account were to be kept as a regular operating account and thus show expenses that in the case of other companies would not appear under account No. 13, "Tunnels."

CASE 159.

Query. To what account should be charged payments for rent of ground on which to place snow fences? To what account should be charged the cost of building snow fences, as well as the expense of setting them up and removing them?

Answer. Rent of ground on which to place snow fences is chargeable to operating expense account No. 12, "Removal of Snow, Ice, and Sand."

The first installation of snow fences should be charged to road and equipment account No. 16, "Crossings, Fences, Cattle Guards, and Signs." After the first installation, the cost of building such fences, as well as the expense of setting them up and removing them, should be charged to operating expense account No. 12, "Removal of Snow, Ice, and Sand."

CASE 160.

Query. To what account should be charged expenses incident to the trial of an ejected passenger who shot and killed one of our trainmen, and burial expenses of said trainman paid by this company?

Answer. The expenses incident to the trial should be charged to account No. 76, "Law Expenses," and the burial expenses, if not paid from a relief association fund, should be charged to account No. 82, "Injuries and Damages."

CASE 161.

Query. To what account should be charged a ditch assessment for constructing a new ditch by which this company is partly benefited although the road has been in operation for some time?

Answer. Provision is made for the cost of ditching roadbed and ditches for waterways in account No. 4, "Grading," in the Classification of Expenditures for Road and Equipment of Electric Railways. If the ditch to which you refer is along the public highway and is not made use of in the operation of the railroad,

the amount of the assessment should be charged to account No. 2, "Right of Way," in the same classification.

CASE 162.

Query. To what account should be charged the cost of sewer and drain tiles used for repairing right-of-way ditches?

Answer. To account No. 10, "Miscellaneous Roadway and Track Expenses." The cost of labor employed in making repairs, however, should be charged to account No. 8, "Roadway and Track Labor."

CASE 163.

Query. To what account should be charged the cost of pieces of glass for fronts of headlights on cars? Is this charge the same as for globes and carbons, or is the glass considered as a repair rather than a supply?

Answer. Pieces of glass for fronts of headlights on cars should be charged, under the Classification of Operating Expenses of Electric Railways, to account No. 32, "Passenger and Combination Cars"; account No. 33, "Freight, Express, and Mail Cars"; account No. 34, "Locomotives"; or account No. 35, "Service Cars," according to the class of equipment on which the glass is used.

Globes and carbons used for headlights should be charged to account No. 63, "Miscellaneous Car-Service Expenses."

CASE 164.

Query. To what account should be charged the cost of trimming trees along tracks to prevent the trees from striking and scratching the sides of cars?

Answer. The cost of labor employed in trimming trees should be charged to account No. 8, "Roadway and Track Labor."

CASE 165.

Query. To what account should be charged the cost of sprinkling paved streets (other than pavement near tracks) in front of passenger and freight stations?

Answer. If the sprinkling in front of stations is performed by employees around the station, the labor should be charged to account No. 64, "Station Employees," and other expenses to ac-

count No. 65, "Station Expenses." If the service is performed by outside parties, the entire expense should be charged to account No. 65.

CASE 166.

Query. To what account should be charged the cost of hat checks furnished trainmen?

Answer. To account No. 63, "Miscellaneous Car-Service Expenses."

CASE 167.

Query. To what account should be charged the cost of tube cleaners and repair parts for cleaning scale from boiler tubes in boilers at power stations?

Answer. The cost of first installation of tube cleaners should be charged to account No. 30, "Power-Plant Equipment," in the Classification of Expenditures for Road and Equipment of Electric Railways. Replacements and repairs should be charged to account No. 30, "Power-Plant Equipment," in the Classification of Operating Expenses of Electric Railways.

CASE 168.

Query. To what account should be charged the cost of envelopes and bags used for filing canceled tickets turned in by conductors?

Answer. To account No. 84, "Stationery and Printing."

CASE 169.

Query. To what account should be charged the cost of fire extinguishers which are to be installed in passenger and freight cars, and in power stations?

Answer. The cost of first installation should be charged to account No. 35, "Cars," account No. 36, "Locomotives," or account No. 38, "Other Rail Equipment," in the Classification of Expenditures for Road and Equipment of Electric Railways, according to the class of equipment in which the fire extinguishers are installed. The cost of first installation in power stations should be charged to account No. 30, "Power-Plant Equipment," in the same classification. It is not intended, however, to require carriers to charge insignificant items to road and equipment accounts.

CASE 170.

Query. To what account should be charged the cost of renewing fire extinguishers used in passenger and freight cars, and in power stations?

Answer. The cost of renewing fire extinguishers in cars should be charged to account No. 63, "Miscellaneous Car-Service Expenses," and in power plants to account No. 54, "Miscellaneous Power-Plant Supplies and Expenses."

CASE 171.

Query. To what account should be charged the cost of installing fire hose?

Answer. The cost of first installation of fire hose should be charged to the same account under Road and Equipment as the building in which the hose is installed. It is not intended, however, to require carriers to charge insignificant items to road and equipment accounts.

CASE 172.

Query. To what account should be charged the cost of renewing or replacing fire hose?

Answer. To account No. 25, "Buildings and Structures," in the Classification of Operating Expenses of Electric Railways.

CASE 173 (*amended*).

Query. To what account should be charged the expenses incurred on account of a remonstrance against constructing a new ditch along right of way?

Answer. To operating expense account No. 76, "Law Expenses," or road and equipment account No. 40, "Law Expenses," as may be appropriate.

CASE 174.

Query. To what account should be charged cost of printing milk checks for carrying milk?

Answer. To account No. 63, "Miscellaneous Car-Service Expenses."

CASE 175.

Query. To what account should be charged the cost of books purchased for a company's reference library, such as books on electric railway practice, engineering, electricity, etc.?

Answer. To account No. 79, "Miscellaneous General Expenses."

CASE 176.

Query. To what account should be charged subscriptions to electric railway periodicals?

Answer. To account No. 79, "Miscellaneous General Expenses."

CASE 177 (amended).

Query. To what account should initiation fees and dues paid to state and national railway associations be charged?

Answer. To account No. 79, "Miscellaneous General Expenses."

CASE 178.

Query. To what account should be charged the cost of drayage at junction points when such drayage is absorbed by the carriers out of the through rate?

Answer. To account No. 7, "Freight Revenue," in the Classification of Operating Revenues of Electric Railways. (See Case 187.)

CASE 179.

Query. To what account should be charged the cost of signs on cars advertising special events?

Answer. Portable signs on cars for the purpose of attracting traffic may be charged to account No. 46, "Advertising;" if simply for the guidance of passengers, they should be charged to account No. 63, "Miscellaneous Car-Service Expenses." (See Case 77.)

CASE 180.

Query. To what account should be charged an amount paid by us to another traction company to cover the cost of repairing one of their cars which was damaged by one of ours?

Answer. Assuming that the damage to which you refer occurred at a crossing on account of a collision, the expense should be charged to account No. 82, "Injuries and Damages."

CASE 181.

Query. To what account should be charged the cost of incandescent lamps, wiring, fuse blocks, and fuses for the maintenance of switch lights at sidings?

Answer. The cost of lamps and fuses should be charged to account No. 68, "Operation of Signal and Interlocking Systems," and the cost of fuse blocks and wiring to account No. 17, "Signal and Interlocking Systems."

CASE 182.

Query. To what account should be charged the cost of labor covering maintenance of switch lights at sidings?

Answer. To account No. 17, "Signal and Interlocking Systems."

CASE 183.

Query. To what account should be charged the cost of installing scales and stoves in company's storerooms?

Answer. If the scales referred to are built in, their initial cost should be charged to account No. 27, "Shops and Carhouses," in the Classification of Expenditures for Road and Equipment of Electric Railways; if they are portable scales, their initial cost should be charged to account No. 32, "Shop Equipment," in the same classification.

The initial cost of installing stoves in company's storerooms should be charged to account No. 27, "Shops and Carhouses."

CASE 184.

Query. To what account should be charged the cost of services of an electric clock at a dispatcher's office for use in train service?

Answer. To account No. 48, "Superintendence of Transportation."

CASE 185.

Query. To what account should be charged the cost of a reseating machine, and repair parts, for grinding and cleaning caps for boiler tubes in power stations?

Answer. The cost of first installation of reseating machines for grinding and cleaning caps for boiler tubes in power stations should be charged to account No. 30, "Power-Plant Equipment,"

in the Classification of Expenditures for Road and Equipment of Electric Railways. Replacements and repairs should be charged to account No. 30, "Power-Plant Equipment," in the Classification of Operating Expenses of Electric Railways.

CASE 186.

Query. What accounts should be charged with the rent and the cost of maintenance and operation of a steam locomotive and other classes of equipment, such as work cars, etc., used in the construction of an electric railway? What disposition should be made of rental charges for time during which the equipment is lying idle on account of inclement weather?

Answer. The rent of such equipment, whether in use or idle, together with the cost of repairs and supplies used in its operation, should be charged to the accounts in the Classification of Expenditures for Road and Equipment of Electric Railways that are benefited by the service, being apportioned among them on an equitable basis. (See Case 180.)

CASE 187.

Query. How should receipts and payments for cartage be handled when cartage is included in the rates?

Answer. When freight rates include cartage, the total amounts charged should be credited to account No. 7, "Freight Revenue," in the Classification of Operating Revenues of Electric Railways, and the amounts paid to a cartage agency for cartage should be charged to the same account. (See Case 178.)

CASE 188.

Query. Should freight earnings be charged with amounts paid to other companies for the use of their cars?

Answer. Amounts paid to other companies for the use of their cars should be charged to account No. 88, "Rent of Equipment," in the Classification of Operating Expenses of Electric Railways, and not to the revenue account benefited by the use of the cars. (See Case 19.)

CASE 189.

Query. To what account should be credited the net receipts from the operation of a park or amusement resort, after deducting

all the expenses? During a portion of the year the expenses would probably exceed the receipts, but during the summer season the receipts might exceed the expenses, and to show a credit balance in operating expense account No. 46, "Advertising," would not appear desirable.

Answer. If the park or amusement resort is operated primarily for the purpose of attracting traffic, and not as an investment, the proper account to credit is account No. 19, "Miscellaneous," in the Classification of Operating Revenues of Electric Railways. The income from, and the expense of, conducting such a park or amusement resort may be carried in a suspense account until the close of the season. When this method is followed, the estimated net profit or net expense should be equitably apportioned among the months during which the park or amusement resort is open to the public, and an adjustment of the suspense account made at the close of the season.

CASE 190.

Query. Should account No. 4, "Grading," in the Classification of Expenditures for Road and Equipment of Electric Railways, include the cost of grading tools? To what account should be charged the cost of a grading camp, including tents and other equipment for boarding and lodging laborers?

Answer. The cost of tools for grading, as well as the cost of tents and other equipment for boarding and lodging laborers engaged in the work, should be charged to account No. 4, "Grading." This account should be credited with the remaining value of tools and other equipment when the work is completed. (See Cases 104 and 195.)

CASE 191.

Query. A company is called upon by the various municipalities through which it operates to pay for street improvements, either by assessments levied by municipal authority or by payments to contractors in accordance with city ordinances. Is the initial expense of street paving, sidewalks, curbs, gutters, etc., chargeable to operating expenses or to road and equipment? Are payments for improvements of the above nature made in connection with depots and depot grounds chargeable to account No. 2, "Right of Way," or account No. 3, "Other Land used in Elec-

tric Railway Operations," in the Classification of Expenditures for Road and Equipment of Electric Railways?

Answer. The initial cost of street paving, sidewalks, curbs, gutters, etc., is chargeable to construction accounts. Expenditures of this nature in connection with depots and depot grounds should be charged to account No. 28, "Stations, Waiting Rooms, and Miscellaneous Buildings," in the Classification of Expenditures for Road and Equipment of Electric Railways, except that the cost of all paving about tracks and special work and the cost of crosswalks incident to track construction should be charged to account No. 10, "Paving," whether in the public way or upon ground used in connection with depots or depot grounds. (*See Cases 60 and 116.*)

CASE 192.

Query. To what account should the cost of land acquired for station or terminal grounds and for shops and power houses be charged?

Answer. The cost of such land should be charged to account No. 3, "Other Land used in Electric Railway Operations."

CASE 193.

Query. To what account should insurance premiums paid on construction material or on equipment or structures under construction be charged?

Answer. Insurance premiums paid on construction material or on equipment or structures under construction should be charged to specific accounts when they can be allocated to such accounts; otherwise to account No. 44, "Miscellaneous" in the Classification of Expenditures for Road and Equipment of Electric Railways.

CASE 194.

Query. Should the cost of meals furnished to trainmen on rush days, such as circus day, Fourth of July, etc., be charged to account No. 63, "Miscellaneous Car-Service Expenses," or to account No. 72, "Other Transportation Expenses," in the Classification of Operating Expenses of Electric Railways?

Answer. Account No. 63, "Miscellaneous Car-Service Expenses."

CASE 195.

Query. What account should be charged with the cost of a steam shovel used in the construction of an electric railway?

Answer. If, as is assumed, the steam shovel is to be used in grading, its cost should be charged to account No. 4, "Grading," in the Classification of Expenditures for Road and Equipment of Electric Railways. If the steam shovel is sold after the completion of the grading, the proceeds from the sale should be credited to account No. 4. If, however, it is retained and used, account No. 4 should be credited with the inventory value at the completion of the grading, and account No. 38, "Other Rail Equipment," charged, provided the steam shovel is permanently mounted on a car. In case it is not so mounted, account No. 12, "Roadway Tools," should be charged. (*See Cases 104 and 190.*)

CASE 196.

Query. Under a joint arrangement, practically all the scrap material of several companies controlled by the same interests is sold under contract to a single purchaser. The contract provides that the scrap shall be cleaned, packed, if necessary, shipped to a designated point, and delivered to the purchaser at prices fixed in the contract. Should the cost of cleaning, cutting up, collecting, and packing, and amounts paid for cartage and freight be charged to account No. 85, "Store Expenses," in the Classification of Operating Expenses of Electric Railways?

Answer. Account No. 85, "Store Expenses," provides for the cost of collection of scrap material, but it is not intended that this account should include the cost of cleaning and cutting up scrap material, or of packing and shipping it to the point where it is sold. Such expenses should be deducted from the amounts received from the sale of the scrap material.

CASE 197.

Query. The property of a railway company suffered considerable damage by floods. Temporary repairs were made to permit the operation of trains over the damaged portion, it being deemed advisable to postpone permanent repairs on account of the approach of winter. During the following year the damaged property was restored to a condition equal to that before the flood.

Could a reserve be set up through charges to operating expenses of the flood year to provide for the repair of the property damaged?

Answer. If the cost of the permanent repairs proposed can be approximately determined, there is no objection to charging operating expenses each month with a proportion of the cost of such repairs, with the understanding that such charges will be adjusted to the basis of actual expenditures as soon as the work is completed. The amounts charged to operating expenses for this purpose should be carried in a reserve, against which the cost of the repairs should be charged as they are made.

CASE 198.

Query. To what account should be charged the cost of current purchased from another company to supply electric-light clusters at stopping points along the line, not stations?

Answer. Account No. 56, "Power Purchased." (See Case 227.)

CASE 199.

Query. A company owns tracks but no cars or power house. To operate the road, cars and power are secured from another company at the rate of 8 cents per car-mile for both cars and power. How should amounts thus paid be treated?

Answer. They should be apportioned between account No. 88, "Rent of Equipment," and account No. 56, "Power Purchased."

CASE 200.

Query. The tracks and equipment of a dummy freight line owned by a street railroad are leased to a steam road for exclusive use, the steam road maintaining and operating the line. Should the street railroad include the yearly rent received under revenue account No. 15, "Rents of Tracks and Terminals," or under "Miscellaneous Income" in the Income Account?

Answer. The amount of rent received as described above should be included under "Miscellaneous Income."

CASE 201.

Query. An electric railway system is operated in three divisions; the first including the lines in two cities, A and B, sepa-

rated by a river; the second division including the lines in a third city, C; and the third division including an interurban line, 22 miles in length, connecting B and C. The main supply depot is at A. Would it be proper to credit the revenues of the interurban line and charge the expenses of the lines in C with freight charges on company material and supplies carried from B to C to be used in C?

Answer. It is not proper for a carrier to include in its operating revenues freight charges for the transportation of company material and supplies for the maintenance and operation of its property.

CASE 202.

Query. Should an electric railway company whose line is under construction, no part of it having been completed and no cars having been run, open any account for operating expenses, or should it charge all expenditures to construction?

Answer. It is not proper to open any account for operating expenses before cars are run. All expenditures in connection with the construction of a road should be charged to the accounts prescribed in the Classification of Expenditures for Road and Equipment of Electric Railways.

CASE 203.

Query. Several cars of coal were purchased by a road under construction, to be held for use for generating purposes in the power house after operations are begun. To what account should the cost of the coal be charged?

Answer. The cost of coal purchased for use after the beginning of operations should be charged to a fuel account. This account should be credited and the appropriate operating expense accounts should be charged as the coal is used.

CASE 204.

Query. A freight agent has on his books an account for freight charges on a car of coal. The car was delivered to the consignee over two years ago, but the check given in payment of the charges was returned by the bank protested. What disposition should be made of this account, which can not be collected?

Answer. The loss may be considered a corporate loss and the amount charged to Profit and Loss.

CASE 205.

Query. To what account should be charged an amount paid to a city for permission to open a pavement in order to repair joints, relay rails, etc.? The pavement in question is in good condition and the amount of the payment covers the estimated cost of replacing it.

Answer. The cost should be charged to account No. 9, "Paving," in the Classification of Operating Expenses of Electric Railways.

CASE 206.

Query. To what account should be charged the cost of repairing or replacing catch basins used for drainage purposes?

Answer. The cost of labor required should be charged to account No. 8, "Roadway and Track Labor," and the cost of material to account No. 10, "Miscellaneous Roadway and Track Expenses," in the Classification of Operating Expenses of Electric Railways.

CASE 207.

Query. To what account should be charged the wages of pilots directing the operation of a company's own cars by crews not familiar with certain divisions of the line, or directing the operation of cars of another company by their own crews?

Answer. Pilots as described above should be considered trainmen and their wages charged to operating expense account No. 60, "Passenger Conductors, Motormen, and Trainmen," or account No. 61, "Freight and Express Conductors, Motormen, and Trainmen," according to the service in which they are engaged.

CASE 208.

Query. To what account should an electric railway company credit an amount received from another company for the privilege of running cars over a portion of its line, the first company furnishing the power and pilots to direct the movement of the cars, which are furnished and operated by the second company?

Answer. The amount received for such a privilege should be credited to revenue account No. 15, "Rents of Tracks and Terminals," with the exception of the portion of the amount applicable to the wages of the pilots, which should be credited to the account to which the wages are charged.

CASE 209.

Query. What account is chargeable with the cost of telephone service, including both tolls and rents, in stations for agents' use in reaching patrons of the line, and in the offices of the operating officers?

Answer. Account No. 79, "Miscellaneous General Expenses."
(See Cases 96 and 230.)

CASE 210.

Query. A passenger holding a ticket is ejected from an electric railway company's car and enters suit against the company for damages. To what account should the amount of the damages awarded be charged?

Answer. Damages awarded to a passenger on account of his ejection from a car should be charged to account No. 82, "Injuries and Damages," in the Classification of Operating Expenses of Electric Railways.

CASE 211.

Query. Account No. 34 in the Classification of Expenditures for Road and Equipment of Electric Railways provides for the cost of road purchased. To what account or accounts should be charged expenditures in connection with the reconstruction of a road purchased, involving a general overhauling of track and electric line construction, stations, platforms, etc., to bring the physical condition of the road to a proper standard of efficiency and safety?

Answer. The net cost of expenditures in connection with the reconstruction of a road purchased should be distributed among the various accounts in the Classification of Expenditures for Road and Equipment of Electric Railways. It is not intended that such expenditures should be charged to account No. 34, "Cost of Road Purchased."

CASE 212.

Query. An electric railway company owns five automobiles, one used by the president, one by the general superintendent, one by the superintendent of maintenance of way, and the other two by linemen. What accounts should be charged with the garage expenses, including the salaries of men in charge; with the cost of

gasoline, oil, and waste used in the machines; and with the cost of material used in making repairs?

Answer. The garage expenses, including the salaries of the men in charge, and the cost of gasoline, oil, and waste used in the machines, should be charged to account No. 86, "Stable Expenses," in the Classification of Operating Expenses of Electric Railways. The cost of repairs should be charged to account No. 40, "Horses and Vehicles."

CASE 213.

Query. To what account should be charged the cost of concrete put in as foundation for tracks in building a pit in a carhouse or in a yard?

Answer. Assuming that the pit is built to facilitate the housing and maintenance of equipment, the cost of the foundation put in for tracks in building a pit in a carhouse should be considered a part of the cost of the carhouse, and so charged to account No. 27, "Shops and Carhouses," in the Classification of Expenditures for Road and Equipment of Electric Railways.

A pit in a yard is presumably built to facilitate the examination and repair of equipment and should be considered a miscellaneous structure, the cost of which is chargeable to account No. 28, "Stations, Waiting Rooms, and Miscellaneous Buildings."

A pit constructed to facilitate the change between the underground and the overhead electric contact system should be considered a part of the track construction.

CASE 214.

Query. An electric railway company expects to engage in the lighting and power business. Is it permissible to charge the various accounts in the Classification of Expenditures for Road and Equipment of Electric Railways with the cost of installation of additional units in the power house, and of pole lines and feeder lines? If this is not permissible, will it be satisfactory to have one balance sheet to cover both the railway business and the lighting and power business?

Answer. It is permissible to include the cost of additional units in the power house and of pole lines and feeder lines in the accounts provided in the classification.

CASE 215.

Query. What rates of depreciation should be applied to the different portions of an electric railway's plant? Should the prin-

ciple of depreciation be applied in the case of each of the 44 classes of construction covered by the accounts prescribed in the Classification of Expenditures for Road and Equipment of Electric Railways?

Answer. Provision is made in the Classification of Operating Expenses of Electric Railways for two depreciation accounts, viz.: account No. 26, "Depreciation of Way and Structures," and account No. 42, "Depreciation of Equipment;" but the Interstate Commerce Commission does not require any electric railway company to keep these accounts unless they are prescribed by the Railway Commission of the State in which such company operates the major portion of its mileage.

The question of the rates of depreciation is one which each carrier must determine for itself, and the Interstate Commerce Commission has issued no order fixing such rates. (*See Case 52.*)

CASE 216.

Query. What account should be credited with discounts allowed by manufacturers for payment, within specified times, of bills for material purchased?

Answer. Discounts allowed for the prompt payment of bills for material purchased should be credited to the accounts charged by the original invoices.

CASE 217.

Query. What revenue account should be credited with receipts for the transportation of newspapers on passenger cars? Newspaper stamps are sold at fixed rates per 100 pounds and affixed to the packages to indicate their weight and the fact that prepayment has been made.

Answer. Account No. 5, "Express Revenue," in the Classification of Operating Revenues of Electric Railways.

CASE 218.

Query. What accounts should be charged with the cost of maintenance of a bonding car and its electric equipment?

Answer. A bonding car should be considered a car rather than a tool, and the cost of its maintenance should be charged to account No. 35, "Service Cars," and the cost of maintenance of its electric equipment to account No. 36, "Electric Equipment of

Cars," in the Classification of Operating Expenses of Electric Railways. It is understood that "electric equipment" as here used includes only the electric motive equipment and wiring.

CASE 210.

Query. What disposition should be made in a lessee company's accounts of expenditures for betterments of the road and equipment of lessor companies made in accordance with the terms of the leases, there being no provision for reimbursement of the lessee for expenditures so made?

Answer. Expenditures for additions and betterments of the property of leased companies should not be included in the lessee's road and equipment accounts, but should be carried on its books as "Additions and Betterments of Leased Lines," being subdivided into the 44 accounts prescribed in the Classification of Expenditures for Road and Equipment of Electric Railways. If there is no provision for reimbursement on account of such expenditures, they should be amortized during the term of the lease through charges to "Rents of Leased Lines."

CASE 220.

Query. What account should be charged with the cost of electric motors installed by an electric railway on the premises of customers to whom current for lighting and power is furnished?

Answer. If the company conducts a general lighting and power business as well as railway business, the cost of motors installed on customers' premises should not be included in its road and equipment accounts as prescribed in the Classification of Expenditures for Road and Equipment of Electric Railways, but should be carried in a separate account such as "Investment in Outside Operations."

If, however, the lighting and power business is merely incident to the railway business, the cost of such motors should be charged to account No. 22, "Distribution System."

CASE 221.

Query. What account should be charged when conductors are given relief from charges for shortages shown by register readings and credited to "Passenger Revenue"? The relief is

granted as the result of investigation or at the request of the superintendent on account of operating conditions.

Answer. "Passenger Revenue" should be charged, as the amounts in question were previously credited to it.

CASE 222.

Query. What account should be charged with the amount assessed against a street railway for paving and a sewer? The work is done for the city by contract, so that the actual cost can not be determined for either the paving or the sewer.

Answer. The amount of the assessment should be apportioned as equitably as may be between account No. 10, "Paving," and account No. 2, "Right of Way," in the Classification of Expenditures for Road and Equipment of Electric Railways. (*See Cases 2 and 117.*)

CASE 223.

Query. What accounts should be charged with wages paid to trainmen for time during which they are required to be on duty and hold themselves in readiness for active service?

Answer. Wages paid to trainmen for time spent on duty, whether in actual platform work or in readiness for it if called upon, should be charged to account No. 60, "Passenger Conductors, Motormen, and Trainmen," or account No. 61, "Freight and Express Conductors, Motormen, and Trainmen," in the Classification of Operating Expenses of Electric Railways, according to the nature of the service.

CASE 224.

Query. As a condition to permission to place double tracks in certain subways constructed in the elevation of the tracks of steam roads, an electric railway was required to change the grade on a street in another part of the city. Should the cost of the work on the city street, such as the changing of the grade, curbing, etc., be charged to account No. 2, "Right of Way," in the Classification of Expenditures for Road and Equipment of Electric Railways?

Answer. Yes.

CASE 225.

Query. To what account should a street railway company charge payments to a city for the privilege of operating cars and stringing wires over a bridge crossing a river?

Answer. "Taxes" under "Deductions from Income." (See Case 37.)

CASE 226.

Query. To what account should be charged fees of witnesses and others appearing for a motorman and conductor at a coroner's inquest, occasioned by an accident?

Answer. Account No. 82, "Injuries and Damages," in the Classification of Operating Expenses of Electric Railways.

CASE 227.

Query. Should account No. 56, "Power Purchased," in the Classification of Operating Expenses of Electric Railways include the cost of all power purchased for use in connection with the operation of a line, or of only the amount actually used for the propulsion of cars? A considerable portion of the power purchased is used in lighting cars and car barns, and in operating track cranes, etc.

Answer. The entire cost of power purchased should be charged to the account named. (See Case 198.)

CASE 228.

Query. What account should be charged with the cost, which is not large, of loading and unloading clinders used in leveling ground around a power plant and car barns?

Answer. Account No. 25, "Buildings and Structures," in the Classification of Operating Expenses of Electric Railways.

CASE 229.

Query. To what account should be charged the cost of switch rods or hooks carried on cars for use in throwing tongue switches?

Answer. Account No. 63, "Miscellaneous Car-Service Expenses," in the Classification of Operating Expenses of Electric Railways.

granted as the result of investigation or at the request of the superintendent on account of operating conditions.

Answer. "Passenger Revenue" should be charged, as the amounts in question were previously credited to it.

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Answer. The amount of the assessment should be apportioned as equitably as may be between account No. 10, "Paving," and account No. 2, "Right of Way," in the Classification of Expenditures for Road and Equipment of Electric Railways. (*See Cases 2 and 117.*)

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Answer. Wages paid to trainmen for time spent on duty, whether in actual platform work or in readiness for it if called upon, should be charged to account No. 60, "Passenger Conductors, Motormen, and Trainmen," or account No. 61, "Freight and Express Conductors, Motormen, and Trainmen," in the Classification of Operating Expenses of Electric Railways, according to the nature of the service.

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Answer. Yes.

CASE 225.

Query. To what account should a street railway company charge payments to a city for the privilege of operating cars and stringing wires over a bridge crossing a river?

Answer. "Taxes" under "Deductions from Income." (See Case 57.)

CASE 226.

Query. To what account should be charged fees of witnesses and others appearing for a motorman and conductor at a coroner's inquest, occasioned by an accident?

Answer. Account No. 82, "Injuries and Damages," in the Classification of Operating Expenses of Electric Railways.

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Answer. Account No. 25, "Buildings and Structures," in the Classification of Operating Expenses of Electric Railways.

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Answer. Account No. 63, "Miscellaneous Car-Service Expenses," in the Classification of Operating Expenses of Electric Railways.

CASE 230.

Query. What account should be charged with the cost of dry batteries required for telephone instruments?

Answer. If the telephones are used primarily in the operation of cars, the cost of dry batteries required should be charged to account No. 69, "Operation of Telephone and Telegraph Systems." The cost of dry batteries for other telephones should be charged to account No. 79, "Miscellaneous General Expenses." (See Cases 96 and 209.)

CASE 231.

Query. To what account should the cost of rubber bands used by conductors in sorting and bunching tickets lifted be charged?

Answer. Account No. 84, "Stationery and Printing."

CASE 232.

Query. To what account should the printing of cash fare receipts used by conductors be charged?

Answer. Account No. 63, "Miscellaneous Car-Service Expenses."

CASE 233.

Query. To what account should the cost of sleet cutters and sleet-cutter wheels be charged?

Answer. On the assumption that sleet cutters and sleet-cutter wheels are used as substitutes for trolley wheels or as parts of the electric equipment, their cost should be charged to account No. 37, "Electric Equipment of Cars," in the Classification of Expenditures for Road and Equipment of Electric Railways. It is not the intention, however, to require carriers to capitalize insignificant amounts.

The cost of labor of installing and removing the attachments should be charged to account No. 38, "Electric Equipment of Cars," in the Classification of Operating Expenses of Electric Railways.

CASE 234.

Query. What account should be charged with the wages of trainmen operating cars (usually at night) *solely* for the purpose of keeping sleet cleaned from trolley wires?

Answer. Account No. 12, "Removal of Snow, Ice, and Sand," in the Classification of Operating Expenses of Electric Railways.

CASE 235.

Query. To what account in the Classification of Operating Revenues of Electric Railways should receipts for the transportation of corpses be credited?

Answer. Account No. 1, "Passenger Revenue."

CASE 236.

Query. An electric railway company does repair work for a steam road, rendering a bill for the actual labor and material used and for the service of a motor work car at a certain rate per car-mile. To what account should the amount charged for the service of the work car be credited?

Answer. Revenue account No. 9, "Miscellaneous Transportation Revenue."

CASE 237.

Query. A traction company engaged in construction was sued by a gas company for damages to the latter's pipe line along and across the former's right of way. To what account should the traction company charge the amount of damages awarded and the costs?

Answer. Account No. 2, "Right of Way," in the Classification of Expenditures for Road and Equipment of Electric Railways.

CASE 238.

Query. To what account should the cost of velocipedes and of hand and push cars for use on an electric railway be charged?

Answer. The cost of first installation should be charged to account No. 12, "Roadway Tools," in the Classification of Expenditures for Road and Equipment of Electric Railways. The cost of repairs and renewals should be charged to operating expense account No. 10, "Miscellaneous Roadway and Track Expenses."

CASE 239.

Query. To what account should the cost of unloading carload freight at stations or sidings be charged? This is ordinarily

done by the consignee, but in order to secure the prompt release of cars for further service, an electric railway company sometimes does it at its own expense.

Answer. The cost of such work should be charged to operating expense account No. 64, "Station Employees."

CASE 240.

Query. In cases where repairs are necessitated by the failure of concrete base for ballast, should the cost of tearing up and replacing paving be charged to "Ballast" or to "Paving"?

Answer. The cost of tearing up and replacing paving in connection with such repairs should be charged to account No. 9, "Paving," in the Classification of Operating Expenses of Electric Railways.

CASE 241.

Query. An electric railway company has rented space for its transmission line in another company's subway. To what account should the rent paid be charged?

Answer. Account No. 24, "Miscellaneous Electric Line Expenses," in the Classification of Operating Expenses of Electric Railways.

CASE 242.

Query. What account should be charged with the cost of a stationary crushing plant located in a stone quarry and used by an electric railway in the production of ballast for maintenance?

Answer. Account No. 12, "Roadway Tools," in the Classification of Expenditures for Road and Equipment of Electric Railways.

CASE 243.

Query. What account should be charged with the cost of legal services required in the defense of suits against an electric railway for abutting damages?

Answer. The cost of the legal services should be charged to the account to which the damages awarded would be charged; that is, account No. 2, "Right of Way," in the Classification of Expenditures for Road and Equipment of Electric Railways. If no damages should be awarded, the cost of the legal services required should be charged to the same account.

CASE 244.

Query. What account should be charged with the cost of gage glasses and gage glass preservers?

Answer. The cost of first installation should be charged to account No. 30, "Power-Plant Equipment," in the Classification of Expenditures for Road and Equipment of Electric Railways; and the cost of repairs and replacements to account No. 30, "Power-Plant Equipment," in the Classification of Operating Expenses.

CASE 245.

Query. What account should be credited with the revenue from the transportation of dogs?

Answer. If the dogs are carried in baggage or express cars or compartments, the revenue should be credited to account No. 2, "Baggage Revenue." If they are carried in passenger cars or passenger sections of cars, as on an urban road, the revenue should be credited to account No. 9, "Miscellaneous Transportation Revenue."

CASE 246.

Query. To what account should be charged the expenses of a general manager, whose duties include those of passenger and freight agent, attending traffic associations?

Answer. Account No. 73, "Salaries and Expenses of General Officers," in the Classification of Operating Expenses of Electric Railways.

CASE 247.

Query. What account should be charged for labor unloading coal at carhouses for use in car stoves?

Answer. The cost of unloading should be added to the cost of the fuel. If, however, the work of unloading is done by regular carhouse operating employees it is not necessary to charge a portion of their wages to the cost of the fuel.

CASE 248.

Query. To what account should be charged the cost of labor unloading coal at a power plant?

Answer. The cost of unloading should be added to the cost of the fuel. If, however, the work of unloading is done by regular power-plant operating employees it is not necessary to charge a portion of their wages to the cost of the fuel. (See Cases 79 and 149.)

CASE 249.

Query. A company operating its line with gasoline motor cars has adopted the classifications prescribed for electric railways. What account should be charged with the cost of repairs to engine, transmission, or ignition parts? What account should be charged with the cost of batteries, spark plugs, connecting wire and terminals, electrolyte for storage batteries, etc.?

Answer. The cost of repairs to the motor features of gasoline motor cars should be charged to account No. 84, "Locomotives" (preferably in a subaccount, if approved by the Commission), in the Classification of Operating Expenses of Electric Railways, and the cost of repairs to the car features of such motor cars should be charged to account No. 32, "Passenger and Combination Cars"; account No. 33, "Freight, Express, and Mail Cars"; or account No. 35, "Service Cars," as the case may require.

The cost of repairs or renewals of batteries, spark plugs, connecting wire and terminals, electrolyte for storage batteries, and other appliances for the motive power of such cars should be charged to account No. 34, "Locomotives" (preferably in a subaccount, if approved by the Commission). (*See Case 6.*)

CASE 250.

Query. A practically new car, carried under Equipment in Expenditures for Road and Equipment, was destroyed in a wreck, the salvage amounting to a few hundred dollars. What disposition should be made of the loss and the salvage?

Answer. The accounts under Expenditures for Road and Equipment, to which the cost of the car was originally charged, should be credited with the cost of the equipment destroyed, and this cost, less salvage, should be charged to the appropriate operating expense accounts.

CASE 251.

Query. A city proposes to repave its streets with improved materials, and the street railway company is required by the terms of its franchise to repave its strip at the same time and with the same kind of material. Would it be proper to charge the cost of the new paving to account No. 10, "Paving," in the Classification of Expenditures for Road and Equipment of Electric Railways?

Answer. The excess cost of the new paving over the cost of the original paving should be charged to road and equipment account No. 10, "Paving," and the remainder to operating expense account No. 9, "Paving."

CASE 252.

Query. A street railway line was constructed in unpaved streets, and after the line had been in operation for a number of years, the city decided to pave. To what account should the railway's share of the cost of paving be charged?

Answer. Account No. 10, "Paving," in the Classification of Expenditures for Road and Equipment of Electric Railways. (See Case 138.)

CASE 253.

Query. An electric railway increased its capital stock by \$500,000. Of this increase \$250,000 was authorized and issued for a specified purpose—a 25 per cent stock dividend—but the remaining \$250,000 was not authorized for any specific purpose and was not issued. Should the entry in the general ledger be made to cover more than the \$250,000 authorized and issued?

Answer. No. Capital stock should be considered as issued only when the certificates are signed and sealed and placed with the proper officer for sale or delivery.

CASE 254.

Query. Should any charge be made to account No. 48, "Superintendence of Transportation," for the services of agents and substation men used to some extent in dispatching trains and in delivering dispatchers' orders to train crews?

Answer. No charge should be made to the superintendence account for such incidental services. (See Cases 79 and 149.)

CASE 255.

Query. An electric railway company proposes to furnish electric current for lighting some small towns along its line, also to furnish power for the operation of several manufacturing plants. How should the revenues and expenses be handled?

Answer. If a general light and power business is to be undertaken in connection with the railway business, the several "Other Operations—Cr." accounts in the Classification of Operating Expenses of Electric Railways should be used to exclude from the total of each general account the portion of expenses

that is not applicable to the railway business. The revenues from the light and power business should be kept in an account separate from that of the railway business and the net result should be carried directly to the Income Account. (*See Case 11 and account No. 18 in the Classification of Operating Revenues of Electric Railways.*)

CASE 256.

Query. What accounts should be charged with the cost of applying a new form of coupler to motor cars to be used in connection with trailers?

Answer. Such cost should ordinarily be charged to operating expense account No. 32, "Passenger and Combination Cars;" account No. 33, "Freight, Express, and Mail Cars;" or account No. 35, "Service Cars," according to the class of equipment to which the couplers are applied.

If the couplers applied are heavier or of an improved type, and the cost is considerable, the excess cost of the new couplers over the cost of those removed should be charged to the proper account in the Classification of Expenditures for Road and Equipment of Electric Railways.

CASE 257.

Query. What account should be charged with the cost of additions to a small plant operated by a railway company to furnish power for lighting in one of the towns on its line?

Answer. The cost of additions to the machinery and equipment of the plant should be charged to account No. 30, "Power-Plant Equipment," and of additions to the building to account No. 24, "Power-Plant Buildings," in the Classification of Expenditures for Road and Equipment of Electric Railways.

CASE 258.

Query. What account should be charged with the cost of cutting trees and removing stumps from the right of way of an electric railway?

Answer. Account No. 4, "Grading," in the Classification of Expenditures for Road and Equipment of Electric Railways.

CASE 259.

Query. Ties are frequently purchased some time in advance of their actual use in track work. Should their cost be charged to

operating expenses in the month in which payment is made or in the month in which they are put in the track?

Answer. The cost of ties should be charged to a material account at the time of purchase. This account should be credited and operating expense account No. 3, "Ties," charged from month to month with the value of the ties put in the track. In order that the cost of renewing ties may be distributed to the 12 months of the year, there would be no objection to charging the operating expense account, "Ties," each month with its proportion of the total amount authorized or approximated for renewals during the fiscal year, regardless of the month in which the actual renewals are made, but the account should be adjusted at the end of the year to the actual expenditures during the year.

CASE 260.

Query. To what account should the cost of temporary grain doors placed in cars used for shipping grain be charged?

Answer. Account No. 63, "Miscellaneous Car-Service Expenses," in the Classification of Operating Expenses of Electric Railways.

CASE 261.

Query. Would it be permissible to create a new account, No. 45, "Stationery and Printing," in the Classification of Expenditures for Road and Equipment of Electric Railways, to include such items as the cost of stationery and printing incident to the raising of a public subscription to the stock of a proposed road?

Answer. The cost of such items should be charged to account No. 44, "Miscellaneous." It would not be proper to establish an additional account, though a subaccount, "Stationery and Printing," might be established under account No. 44, in accordance with the provisions of the last paragraph of the Order of the Commission on page 6 of the Classification.

CASE 262.

Query. In the construction of a street railway it is necessary to team rails from a yard to the street in which they are to be laid. To what account should the cost of such teaming and the cost of unloading the rails in the street be charged?

Answer. Account No. 11, "Track Laying and Surfacing," in the Classification of Expenditures for Road and Equipment of Electric Railways.

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Accounting Bulletin No. 8

**INTERPRETATIONS
OF
ACCOUNTING CLASSIFICATIONS**

**PRESCRIBED BY THE
INTERSTATE COMMERCE COMMISSION
FOR**

STEAM ROADS

**IN ACCORDANCE WITH SECTION 20 OF THE
ACT TO REGULATE COMMERCE**

EFFECTIVE ON JULY 1, 1912

(Supersedes Accounting Bulletin No. 4)



**WASHINGTON
GOVERNMENT PRINTING OFFICE
1912**

THE INTERSTATE COMMERCE COMMISSION.

CHARLES A. PROUTY, *of Vermont.*
JUDSON C. CLEMENTS, *of Georgia.*
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CHARLES C. MCCHORD, *of Kentucky.*
BALTHASAR H. MEYER, *of Wisconsin.*
JOHN H. MARBLE, *Secretary.*

INTERSTATE COMMERCE COMMISSION.

ORDER.

At a General Session of the INTERSTATE COMMERCE COMMISSION, held at its office in Washington, D. C., on the 10th day of June, A. D. 1912.

The subject of a Uniform System of Accounts to be prescribed for and kept by carriers being under consideration, the following order was entered:

It is ordered, That the Interpretations of Accounting Classifications prepared under the direction of this Commission, and embodied in printed form to be hereafter known as Accounting Bulletin No. 8, a copy of which is now before this Commission, be, and the same is hereby, approved; that a copy thereof duly authenticated by the Secretary of the Commission be filed in its archives, and a second copy thereof, in like manner authenticated, in the office of the Division of Carriers' Accounts; and that each of said copies so authenticated and filed shall be deemed an original record thereof.

It is further ordered, That the accounting methods directed in the interpretations contained in the said Accounting Bulletin No. 8 be, and they are hereby, prescribed for the use of carriers by rail (exclusive of electric railways) subject to the provisions of the amended act to regulate commerce in the keeping and recording of their accounts.

It is further ordered, That July 1, 1912, be, and it is hereby, fixed as the date on which the said Accounting Bulletin No. 8 shall become effective.

By the Commission.

[SEAL.]

JOHN H. MARBLE,
Secretary.

W. T. Hollands

INTRODUCTORY LETTER.

INTERSTATE COMMERCE COMMISSION,
DIVISION OF CARRIERS' ACCOUNTS,
Washington, D. C., June 27, 1912.

TO CARRIERS CONCERNED:

Under date of January 1, 1910, there was issued Accounting Bulletin No. 4, which contained various questions bearing upon the interpretation of accounting classifications previously prescribed by the Interstate Commerce Commission and the answers thereto. In Accounting Series Circulars Nos. 12c and 12d, issued under dates of December 1, 1909, and December 5, 1910, respectively, were published additional questions and answers. A further study of the cases thus published and consideration of the suggestions submitted by those responsible for the application of classifications of the Commission have led to the conclusion that it is desirable to revise a number of the cases. It appears that some cases which have been covered by the later classifications may properly be omitted. This Accounting Bulletin (No. 8), which is issued under order of the Commission, contains all cases which it seems desirable to retain, with the exception of Cases Nos. 15, 509, 537, 549, 610, and 637, which will be republished later in Accounting Series Circular No. 12e.

It is due that acknowledgment should be made of the valuable assistance rendered in the revision of these cases by the Association of American Railway Accounting Officers and the standing committees of that Association.

CHARLES A. LUTZ,
Chief Examiner of Accounts.



INTERSTATE COMMERCE COMMISSION ACCOUNTING BULLETIN NO. 8.

INTERPRETATIONS OF THE ACCOUNTING CLASSIFICATIONS.

CASE 1.

Query. How shall debits and credits not provided for in the accounting classifications be disposed of before receipt of formal orders of the Commission?

Answer. All accounting matters must be disposed of in conformity with the principles embodied in the orders of the Interstate Commerce Commission. Subject to this limitation, matters not covered by such orders may be disposed of according to the judgment of the carrier.

CASE 2.

Query. When a carrier assumes a proportion of switching charges collectible from another carrier, should it be charged to freight revenue as switching absorbed and credited to freight revenue when collected?

Answer. This is a matter of bookkeeping, in which each carrier is for the present permitted to use its own discretion so long as the integrity of the prescribed accounts is maintained. (See Case 214.)

CASE 3.

Query. Is it essential that books be written up monthly by a road which has heretofore been in the habit of writing them up once in six months?

Answer. Accounts should be written up monthly.

CASE 4.

Query. Is it permissible after July 1, 1907, to carry over balances in reserve accounts? Such balances may consist of estimated amounts of overcharge, switching, loss, damage, and personal injury claims.

Answer. Balances in such reserve accounts may be carried over, provided the charges to the various operating expense and revenue accounts are adjusted yearly to the actual accruals as nearly as may be. (See Case 211.)

CASE 5.

Query. A judgment chargeable to operating expenses is rendered against a carrier. Is it permissible to spread the amount over several months, and even over more than one fiscal year?

Answer. Judgments and heavy or extraordinary expenses, due to fires, accidents, etc., may be spread over two or more months of a fiscal year, but permission must be obtained from the Interstate Commerce Commission if it is desired to extend the charges to Operating Expenses into the succeeding fiscal year. (*See Case 379.*)

CASE 6.

Query. To what account should the expense of "studies" by the Engineering Department be charged? By "studies" is meant tentative surveys, sinking test pits, etc., in connection with proposed work, prior to any authorization for the prosecution of the work. In some cases the work is ultimately not undertaken, and the expense can not therefore be charged against the project.

Answer. Such expense should be charged to convenient suspense or clearing account until such time as it can be determined where it belongs, and should then be transferred to Income, Profit and Loss, Road and Equipment, Additions and Betterments, or Operating Expenses, as may be appropriate.

CASE 7.

(Omitted.)

CASE 8.

Query. To what account should be charged loss and damage on company material in transit?

Answer. It should be charged to expense account No. 99, "Loss and Damage—Freight."

CASE 9.

Query. In adjusting material accounts to the basis of inventory, what account or accounts should be credited or debited?

Answer. Determined differences in important items, such as ties, rails, fuel, etc., are ordinarily assignable to discrepancies in charges to particular accounts since the last inventory and should be adjusted accordingly.

Other differences should be apportioned among the primary expense accounts on the basis of the material charges to them since the last inventory.

CASE 10.

Query. How shall taxes on joint facilities be treated?

Answer. Taxes upon property used jointly should be charged to income account I 5, "Railway Tax Accruals." Proportions chargeable to other carriers should be treated as rents by both debtors and creditors, and included in the joint facility rent accounts in Income.

CASE 11.

Query. How should the rent for the exclusive use of a short piece of track, based on a percentage of valuation, be charged?

Answer. It should be charged to income account I 22, "Miscellaneous Rent Deductions."

CASE 12.

Query. To what account should be charged rent for the joint use of property based on interest valuation?

Answer. It should be charged to income account I 21, "Joint Facility Rent Deductions."

CASE 13.

Query. A road rents a piece of ground belonging to another carrier, and upon this ground has built tracks for its own exclusive use. To what accounts should be charged the amount paid for rent of the ground, and to what account should the carrier owning the ground credit the amount received from the lessee?

Answer. The carrier owning the ground should credit the rents received to income account I 9, "Miscellaneous Rent Income," and the lessee should charge them to income account I 22, "Miscellaneous Rent Deductions."

CASE 14.

Query. The A Railroad Co. has a contract whereby a small portion of its tracks are used exclusively by another company without any expense to A. To what account should the rent be credited?

Answer. It should be credited to income account I 9, "Miscellaneous Rent Income."

CASE 15.

(Answer not finally approved. See Accounting Series Circular No. 12e.)

CASE 16.

Query. What account should be credited with rents of property not used in operation, and what account should be charged with the cost of repairs, insurance, taxes, and other expenses of such property?

Answer. (a) If the property in question is included in the road and equipment accounts, the rents should be credited to income account I 9, "Miscellaneous Rent Income," and the cost of repairs, insurance, and similar expenses should be charged to the same account. Taxes should be charged to income account I 5, "Railway Tax Accruals."

(b) If the property in question is included in balance sheet account B 6 (a), "Miscellaneous Investments—Physical Property," the net balance of rents and expenses, such as the cost of repairs, insurance, and other expenses, should be included in income account I 10, "Net Profit from Miscellaneous Physical Property" or I 24, "Net Loss on Miscellaneous Physical Property," as the case may require. Taxes should be charged to account I 23, "Miscellaneous Tax Accruals."

CASE 17.

Query. To what account should be charged rent of bridges?

Answer. Payments for rent of a bridge, which includes the cost of operation or maintenance, should be divided by agreement of the parties at interest into two parts; one part, covering the cost of maintenance or operation or both, to be charged to appropriate operating expense accounts, or the joint facility accounts if the bridge is jointly used; the remaining part to be charged to income account I 22, "Miscellaneous Rent Deductions," if the use of the bridge is exclusive, otherwise the charge should be to income account I 21, "Joint Facility Rent Deductions." If the payment does not include any part of the cost of maintenance or operation, the whole should be charged to Income. The principle is that the operating expenses of carriers should include the cost of operating and maintaining facilities or parts of facilities used by them in the business of transportation.

CASE 18.

Query. Does the Classification of Expenditures for Road and Equipment apply only to new lines and not to betterments and improvements of existing lines?

Answer. Expenditures for construction and equipment of new main and branch lines and extensions of existing lines are required to be classified according to the Classification of Expenditures for Road and Equipment. Expenditures for additions and betterments should be classified in accordance with the Classification of Expenditures for Additions and Betterments, and the aggregate is required to be redistributed in accordance with the Classification of Expenditures for Road and Equipment. (See paragraphs Nos. 1 and 14 of General

Instructions in Classification of Expenditures for Additions and Betterments.)

CASE 19.

Query. To what account should be charged discount on bonds issued for construction of new lines and for additions and improvements?

Answer. Discount on bond issues should be included in account B 20 (b), "Unextinguished Discount on Funded Debt" in the Form of General Balance Sheet Statement. (See Case 101.)

CASE 20.

(Omitted.)

CASE 21.

(Omitted. Now covered by the classifications.)

CASE 22.

Query. To what account should be charged the cost of electrical equipment for passenger, freight, and other cars, and also the cost of entirely new cars electrically equipped?

Answer. If the electric equipment is an addition or betterment, the cost should be charged, as should the cost of all equipment acquired by a line in operation, to additions and betterments account A 33, "Equipment."

CASE 23.

Query. Should additions or betterments to property used in outside operations be included in additions and betterments or in outside operations accounts?

Answer. Such expenditures should be included in additions and betterments accounts subject to the limitations provided in the Classification of Expenditures for Additions and Betterments.

CASE 24.

Query. A carrier operates from A to B by rail and from B to C by water, making an arbitrary division of the revenues received between the rail and the water lines. Does the proportion allowed the water line from B to C constitute what is meant by "allowance" in the Introductory Letter in Classification for Outside Operations?

Answer. The proportion of a through rate thus allowed water lines is termed an "allowance" in the letter referred to.

CASE 25.

Query. Parlor cars are operated in the same trains with other passenger cars and the expenses of general supervision, heating, lighting, cleaning, etc., can only be apportioned upon an arbitrary basis if included in the outside operations accounts. Is it permissible to include the revenues from these cars in revenue account No. 4, "Parlor and Chair Car Revenue" and their expenses in the appropriate expense accounts?

Answer. When such revenues and expenses are not sufficient to impair the operating statistics for transportation by rail, based on the accounts provided in the Classifications of Operating Revenues and Operating Expenses, this may be done.

CASE 26.

Query. A carrier operates its stock yards in connection with its transportation business. These yards furnish facilities for the carrier when occasion arises, as well as for shippers, from whom collections are made to cover the service. As it is practically impossible to make an accurate separation of the expenses of services rendered to the carrier from those of services rendered to shippers, is it permissible to charge all expenses of these yards to appropriate expense accounts, such as accounts No. 16, "Buildings, Fixtures, and Grounds"; No. 63, "Station Employees"; and No. 66, "Station Supplies and Expenses"; and to credit all receipts to revenue account No. 19, "Miscellaneous"?

Answer. Such expenses may be so charged and such revenues so credited when the accounting is not inconsistent with the Introductory Letter and text of the Classification of Revenues and Expenses for Outside Operations.

CASE 27.

Query. In what accounts should be included demurrage upon boats delayed in loading or unloading beyond the free time regularly allowed, and the wharfage on account of boats tied up at docks beyond the prescribed period?

Answer. Assuming that such items are incident to conducting an outside operation the collections and payments should be included, respectively, in the revenue and expense accounts provided for these items in the classification for the appropriate outside operation.

CASE 28.

Query. To what account should be charged expenditures for fire protection, representing the cost of appliances and of work done in

connection with constructing water lines, fire walls, and other work of that character?

Answer. The cost of additional structures and improvements for fire protection should be distributed to the appropriate additions and betterments accounts; the cost of maintenance and operation should be accounted for in accordance with the Classification of Operating Expenses.

CASE 29.

Query. Is it permissible to spread insurance premiums payable in any year over the 12 months of that year upon an estimated basis, provided an adjustment is made at the close of the year to the actual accruals?

Answer. Insurance premiums should be charged upon the basis of accruals, the necessary adjustments being made at the close of the year. When the premium covers 12 months' insurance, one-twelfth should be charged each month.

CASE 30.

(Omitted. Case now covered by the classifications.)

CASE 31.

Query. Are not Note C, under account No. 9, "Bridges, Trestles, and Culverts," and Note B, under account No. 16, "Buildings, Fixtures, and Grounds," in the Classification of Operating Expenses in conflict with the last clause of Note A under account No. 110, "Insurance," which provides that to "Insurance" shall "be credited all amounts recovered from insurance companies for damage to property reinsured by them?"

Answer. There is no conflict. The last-mentioned provision is restricted to the case of reinsurance; i. e., when a carrier acts as its own insurer and by suitable charges to operating expenses raises an insurance fund or reserve. In such a case, if it is later deemed advisable to divide the risk with respect to any particular portion of the property, and such property is reinsured with another insurer, the premium paid for such reinsurance is charged to the insurance fund or reserve, and the amount recovered in case of casualty is credited to such fund or reserve.

CASE 32.

Query. With reference to the Note in the Classification of Operating Expenses under each of the accounts, No. 3, "Ties;" No. 4, "Rails;" No. 9, "Bridges," etc., is it intended that the several accounts shall

include in any one fiscal year only the actual expenditures (of the character contemplated) made during the particular fiscal year, or is it contemplated that, if a company desires, it may authorize or approximate any sum that it may see fit, charging the amount so authorized or approximated to the accounts concerned without regard to the actual expenditures during any month or fiscal year?

Answer. Reserve accounts of this character may be created by monthly charges to operating expense accounts of sums estimated to be necessary for maintenance, but such charges should be adjusted annually so that the total charge for the year shall represent the actual expenditures for maintenance in that year. (See Case 425.)

CASE 33.

(Omitted.)

CASE 34.

Query. To what account should be charged pay and expenses allowed employees while attending coroners' inquests?

Answer. They should be charged to the appropriate "Injuries to Persons" account or accounts.

CASE 35.

Query. To what expense account should be charged rent of offices for the use of the Claims Department which is in charge of claims for injuries to persons and for damage to property other than freight and baggage?

Answer. Rents in such a case should be considered as office expenses, except when provided for otherwise.

CASE 36.

Query. In the case of a road owning one locomotive, should depreciation be computed and charged to Operating Expenses regardless of where the cost of the locomotive was charged at the time of its acquisition?

Answer. Depreciation upon equipment in service should be included in Operating Expenses regardless of where the cost of the equipment has been charged, as otherwise the current operating expenses would not be truly stated.

CASE 37.

(Omitted. Case now covered by the classifications.)

CASE 38.

Query. To what account should be charged damages for overflows caused by inadequate waterways?

Answer. To appropriate accounts in Maintenance of Way and Structures when the property damaged is the carrier's own; to account No. 101, "Damage to Property," when it is the property of others. If, however, the damage is directly connected with new construction work the cost of which is chargeable to additions and betterments or road and equipment accounts, the amount of the damage should be included in the cost of the work.

CASE 39.

(Omitted. Case now covered by the classifications.)

CASE 40.

Query. Is it required that regular charges shall be made to Operating Expenses to cover depreciation on roadbed?

Answer. Not under the present classification. Depreciation accounts for roadway and structures may, however, be kept as subaccounts if desired. In such case the names and descriptions of the subaccounts must be filed with the Interstate Commerce Commission as provided in the orders promulgating the classifications. (See Case 106.)

CASE 41.

Query. To what account should be charged the cost of cleaning car-cleaning yards (an expense resulting from the cleaning of cars)?

Answer. It should be charged to operating expense account No. 6, "Roadway and Track."

CASE 42.

Query. To what account should be charged the expense of bonding rails in connection with signal and interlocker systems?

Answer. If the work is done during the construction period, the cost should be charged to road and equipment account No. 16, "Interlocking and Other Signal Apparatus." When chargeable to operating expenses, it should be charged to operating expense account No. 13, "Signals and Interlocking Plants"; if a part of additions and betterments work, to appropriate additions and betterments accounts.

CASE 43.

(Omitted. Case now covered by the classifications.)

CASE 44.

(Omitted. Case now covered by the classifications.)

CASE 45.

(Omitted.)

CASE 46.

Query. Should not the word "operation" in the phrase "operation of joint facilities" in the notes under joint-facility accounts Nos. 22, 23, 51, and 52, covering the maintenance of joint tracks, equipment, etc., read "maintenance," and shall we so construe it?

Answer. The word "operation" is used in its broad sense, and should be construed to embrace maintenance or any other element of operating expense covered by bills for joint operation.

CASE 47.

Query. It is observed that no provision is made in the text of operating expense account No. 34, "Freight-train Cars—Repairs" for repairs to work cars used in commercial service. A company owns a large number of cars which it classifies as "ballast" cars, and which it constructed for use in either work or commercial service. A large part of the time these cars are used in commercial service. Should not this class of equipment be treated as commercial cars?

Answer. If for a majority of the time the cars are used in commercial service they should be classified as commercial cars, regardless of the design of the cars.

CASE 48.

Query. Should charges to operating expenses be made for depreciation on equipment under a car trust, the equipment not having been fully paid for and the title not having been acquired?

Answer. Charges should be made for depreciation on such equipment beginning as soon as it enters the service of the carrier.

CASE 49.

Query. As cars and locomotives will be retired and new equipment will be received on various days within the month, it will be practically impossible to keep an accurate account of depreciation according to days or fractions of a month. What rule should be followed in making the monthly entries for "Depreciation" in such cases?

Answer. A full month's depreciation charge should be made on all equipment in service on the first, or the last, day of the month. (*See Case 169.*)

CASE 50.

(Omitted.)

CASE 51.

(Omitted.)

CASE 52.

Query. Is it correct for a switching road, whose cars seldom leave its own line, to charge to account "Hire of Equipment" the amounts paid to other companies for the use of their equipment?

Answer. It is.

CASE 53.

Query. To what account should be credited a bill made for engines and cars loaned at a daily rate to a contractor on construction work?

Answer. It should be credited to income account, "Hire of Equipment."

CASE 54.

Query. In the text of operating expense account No. 25, "Steam Locomotives—Repairs," is it intended that the cost of "special service, such as bringing locomotives to shops or watching them while on the way to shops for repairs," shall include the pay of engineers and firemen as well as other employees engaged in such "special service"?

Answer. It is; unless the locomotives are able to run to a terminal or shop under their own steam, in which case the pay of engineers and firemen should be charged to operating expense account No. 80, "Road Enginemen." Consideration should be given in this connection to account No. 93, "Clearing Wrecks."

CASE 55.

Query. The text of operating expense accounts No. 32, "Passenger-train Cars—Renewals" and No. 33, "Passenger-train Cars—Depreciation," excludes parlor cars and sleeping cars, the operations of which are treated as Outside Operations. To what account should be charged renewals and depreciation of such cars?

Answer. The two accounts, No. 32, "Passenger-train Cars—Renewals," and No. 33, "Passenger-train Cars—Depreciation," should be interpreted to correspond to account No. 31, "Passenger-train Cars—Repairs," which excludes the repairs of parlor cars and sleeping cars whose operations are treated as Outside Operations.

CASE 56.

Query. At various junctions on a carrier's line, a system of joint car inspection is in force, the carrier paying the total expenses and rendering bills against other lines interested. Should this expense be charged to account No. 34, "Freight-train Cars—Repairs," by the line carrying the men on its rolls and the same account credited for bills rendered?

Answer. It is preferred that these charges be distributed directly to the railroads interested; although carriers have the option of clearing such items through their operating expense accounts other than joint-facility accounts, if they so desire.

CASE 57.

Query. Do operating expense accounts No. 37, "Electric Equipment of Cars—Repairs," No. 38, "Electric Equipment of Cars—Renewals," and No. 39, "Electric Equipment of Cars—Depreciation," refer only to the electric motive equipment of electrically propelled cars?

Answer. They do.

CASE 58.

Query. (a) Does account No. 47, "Power-plant Equipment," apply only to power plants for generating power for the propulsion of locomotives, trains, and cars, or does it include the electric equipment in an electric power plant used for other purposes? (b) If it is intended to cover only power plants for the propulsion of locomotives, trains, and cars, to what account should be charged electric machinery and appurtenances, in a separate power plant used for operating machinery in shops, when used for shop purposes only?

Answer. (a) It applies only to power plants for generating power for the propulsion of locomotives, trains, and cars.

(b) When chargeable to operating expenses, the cost should be charged to account No. 46, "Shop Machinery and Tools." (See Case 180.)

CASE 59.

Query. (a) Referring to accounts No. 47, "Power-plant Equipment," and No. 86, "Operating Power Plants," in the Classification of Operating Expenses, does account No. 47, "Power-plant Equipment," cover the maintenance of power plants at shops generating electricity for running machinery, or is the account intended to cover the cost of maintaining power plants used to furnish electricity to electric railways only? (b) If the latter, should the cost of operating power plants in furnishing electricity for operating machinery be charged to account No. 46, "Shop Machinery and Tools?"

Answer. (a) It is restricted to power plants furnishing current for the propulsion of locomotives, trains, and cars.

(b) The cost of operating power plants furnishing current for operating shop machinery should be charged to the clearing account "Shop Expenses." (See Case 180.)

CASE 60.

Query. Should the cost of power at shops be charged to clearing account "Shop Expenses?"

Answer. It should; the cost of power for all shop purposes should be charged to that account.

CASE 61.

Query. The text of the clearing account, "Store Expenses," provides that the account should be closed out at the end of the year. Should not a balance representing cost of handling material in stock at the end of the year be carried over to the next year?

Answer. Such a balance should not be carried over to the next year.

CASE 62.

Query. To what account should be charged the salaries of chief special agents and their assistants who have police powers and have charge of yard watchmen, of employees investigating robberies and other depredations, and the preparation of evidence to be used in court cases where arrests have been made?

Answer. Such salaries should be charged to expense account No. 61, "Superintendence." Attention is called to the "Note" under this account.

CASE 63.

Query. To what account should be charged the pay of telegraph operators located at towers, whose duties are to receive orders from dispatchers, in connection with train movement, and deliver them to engineers and conductors?

Answer. The pay of such operators should be charged to expense account No. 62, "Dispatching Trains."

CASE 64.

Query. At certain stations no regular agent is employed, but a local storekeeper or the postmaster acts in that capacity, being paid a commission based on tickets sold and on the local freight charges on shipments handled at such stations. To what accounts are such commissions chargeable?

Answer. Such commissions are chargeable to expense account No. 63, "Station Employees."

CASE 65.

Query. To what account should be charged the payments to warehouse companies or contractors for loading or unloading freight?

Answer. Such payments should be charged to expense account No. 63, "Station Employees," if not includible in Outside Operations.

CASE 66.

Query. In the Classification of Operating Expenses, account No. 63, "Station Employees—Labor at Stations" includes the pay of employees at coal-dock terminals. Account No. 65, "Coal and Ore Docks," includes pay of employees at coal and ore docks. Is there not an apparent conflict and should there not be some explanation?

Answer. This matter is covered by a note under expense account No. 63, "Station Employees."

CASE 67.

(Omitted. Case now covered by the classification.)

CASE 68.

Query. To what account should be charged the cost of supplies used in switch lamps at points where no regular switching service is maintained?

Answer. The cost of such supplies should be charged to expense account No. 66, "Station Supplies and Expenses."

CASE 69.

Query. To what account should be charged expenses of hauling loads from mines to points of concentration and distributing empties to mines?

Answer. If the mines are located within the switching limits of the concentration station, such expenses should be charged to the appropriate yard-service accounts.

If not so located, and the freight is therefore billed from the mines, the entire service should be classed as road service and the expenses and the statistics of locomotive-miles, car-miles train-miles, ton-miles, etc., should be treated accordingly.

CASE 70.

Query. A train leaves A for B, a distance of a few miles, taking passenger coaches with passengers from A to B; then goes from B to four other stations farther up the line, does the necessary switching, and returns to B in the evening to take the passenger train back to A. The maximum time consumed in the passenger run between A and B is two hours and the switching service is about eight hours, but at only one of the points is the switching service over an hour a day in duration. How should the service of this locomotive be classified and its mileage divided?

Answer. The expenses of a road locomotive doing switching only incidentally should be classified as of road service, and the mileage divided between road and switching service, by allowing road service full mileage between terminals and computing mileage for switching service in accordance with the text and note under account "Switching Locomotive—Miles" in the Classification of Locomotive—Miles, etc.

CASE 71.

Query. A train leaves C in the morning, makes a trip to D, and switches at that point about eight hours, then brings the train back to C. How should the cost of the service of the train be divided?

Answer. Such expenses should be divided on the basis of service performed.

CASE 72.

Query. A carrier runs way-freight and pick-up trains, on which a crew is allowed practically twice as much pay as is allowed the ordinary road crew and the service is about twice as expensive, owing to the switching performed at various points on the lines. Is it proper to charge the extra expenses to road service?

Answer. Such expenses should be classified as road-service expenses.

CASE 73.

Query. To what accounts should be charged the wages of motormen operating a gasoline motor car used for passenger service between two stations where it is not practicable to have daily train service; also to what account should be charged supplies furnished this car?

Answer. The wages of motormen engaged in running revenue-service locomotives or motor cars other than electric should be charged to expense account No. 80, "Road Enginemen."

The cost of fuel and other supplies furnished to the motor cars should be charged the same as cost of fuel and other supplies for road

locomotives; the repairs to the locomotive features of such cars should be charged to expense account No. 25, "Steam Locomotives—Repairs," and the repairs to the car features should be charged to expense account No. 31, "Passenger-train Cars—Repairs."

CASE 74.

Query. Railroad A turns Railroad B's locomotive and supplies it with a tank of water. A charges B for the water, for turning the locomotive, and for use of the tracks. What is the correct accounting by both roads?

Answer. The amount covering the water furnished should be credited by A to the account originally charged, and charged by B to the appropriate account "Water for Locomotives." If the joint use of the facilities is temporary and is not in connection with the joint use regularly of other facilities, the amount for turning the locomotive and the amount for use of the tracks should be credited by A to revenue account No. 19, "Miscellaneous," and charged by B to expense account No. 89, "Train Supplies and Expenses." If, however, the use of these facilities is frequent or is under a joint-facility arrangement, the accounting by both roads should be in accordance with the rules prescribed for joint facility accounts.

CASE 75.

(Omitted. Case now covered by the classifications.)

CASE 76.

Query. To what expense account should be charged the cost of labor and material expended in lubricating switches and signals?

Answer. Such cost should be charged to expense account No. 90, "Interlockers and Block and Other Signals—Operation," except at terminals, where the cost of the labor should be charged to account No. 69, "Yard Switch and Signal Tenders," and the cost of the material to account No. 70, "Yard Supplies and Expenses."

CASE 77.

Query. To what expense account should be charged penalties imposed under reciprocal demurrage laws for failure to furnish cars?

Answer. The amounts of such penalties should be charged to expense account No. 98, "Other Expenses."

CASE 78.

Query. To what expense account should be charged payments for damages for ejectment of passengers from trains?

Answer. Such payments should be charged to expense account No. 103, "Injuries to Persons."

CASE 79.

Query. To what expense account should be charged a payment of damages for failure of a passenger train to stop at a station for a passenger?

Answer. If the award is based upon a property loss, to account No. 98, "Other Expenses;" if upon personal injuries, to account No. 103, "Injuries to Persons."

CASE 80.

Query. To what account should be charged amounts paid for switching passenger equipment?

Answer. They should be charged to appropriate revenue accounts when the equipment is in revenue service; to expense account No. 98, "Other Expenses," when it is in nonrevenue service.

CASE 81.

Query. To what account should be charged switching charges paid other carriers for moving empty freight equipment, as follows:

(a) When delivered to a connecting carrier to be placed for loading, for which a charge is exacted in addition to that made for returning the car loaded?

(b) When delivered to a connecting carrier to be placed for unloading, and when the empty is returned, a charge is made therefor in addition to that made for the movement of the load?

(c) When equipment, under load, has been switched to a designated point by a connecting carrier for a consideration and the car has been unloaded, it is then ordered switched to another industry in the yards of the switching carrier to be loaded for a point on the line of the carrier which made delivery to the switching carrier in the first instance, a charge being made for the movement of the empty in addition to that made for delivering the car when loaded to the carrier from which it was received in the first instance?

(d) When a carrier, instead of maintaining facilities for performing the switching service in connection with the transportation of freight, for which it makes no specific charge, hires the work done?

Answer. Such payments should be charged to revenue account No. 1, "Freight Revenue."

CASE 82.

Query. When the president of a carrier company is directly in charge of the operating departments, how should the salaries and expenses of himself and his clerks be distributed?

Answer. If the president is directly in charge of the departments usually supervised by officials named in the accounts "Superintendence" under Maintenance of Way and Structures, Maintenance of Equipment, Traffic Expenses, and Transportation Expenses, his salary and expenses and those of his clerks and assistants should be apportioned in accordance with Note B under expense account No. 106, "Salaries and Expenses of General Officers." If the president has, as is usual, only general supervision over the various departments, his salary and expenses should be charged to expense account No. 106, "Salaries and Expenses of General Officers."

CASE 83.

Query. How should the revenue derived from the transportation of milk be classified when handled—

(a) In solid trains which have passenger-train rights?

(b) In trains which have accommodations for passengers?

Answer. Carriers are permitted to keep the revenue from transportation of milk in account No. 1, "Freight Revenue," or account No. 7, "Milk Revenue (on Passenger Trains)," provided train statistics are reported accordingly.

CASE 84.

Query. The proceeds from the sale of local mileage tickets are credited to Operating Revenues when the sales are made. How shall such proceeds be apportioned among States, especially to States in which taxes are assessed on gross earnings?

Answer. Local mileage may be credited to account No. 2, "Passenger Revenue," as used. If this is done, the apportionment can be readily made.

CASE 85.

Query. When a train is chartered for a guaranteed lump sum and tickets are sold to protect the guarantor against the use of the train by unauthorized passengers, should the entire amount of the guaranty which includes the proceeds of the sale of individual tickets, be credited to account No. 10, "Special Service Train Revenue"?

Answer. It should, unless each passenger is required to have a ticket sold at tariff rates, in which case the amount received from the sale

of tickets should be credited to revenue account No. 2, "Passenger Revenue," and the deficit, if any, paid by the guarantor, to revenue account No. 8, "Other Passenger Train Revenue." (*See Cases 221 and 222.*)

CASE 86.

(Omitted. Case covered by Case 261.)

CASE 87.

(Omitted. *See Case 90.*)

CASE 88.

Query. Should revenue account No. 3, "Excess Baggage Revenue," include revenue derived from carrying packages and other things not incident to the carrying of passengers, such as amounts paid by newspaper publishers for carrying and distributing daily papers?

Answer. Revenue derived from carrying, in baggage cars, packages and other things not incident to the transportation of passengers should be credited to account No. 8, "Other Passenger Train Revenue," unless such shipments are carried at freight tariff rates, in which case the revenue derived therefrom should be credited to account No. 1, "Freight Revenue."

CASE 89.

(Omitted. *See Case 261.*)

CASE 90.

Query. A mining company guarantees a certain amount of revenue on passenger trains. To what account should the deficit paid by guarantors be credited?

Answer. Such a deficit should be credited to revenue account No. 8, "Other Passenger Train Revenue."

CASE 91.

Query. Should switching include the amount received for a short movement between sidings within the territory under the control of one agent?

Answer. It should, provided the movement is as described in the text of account No. 9, "Switching Revenue."

CASE 92.

Query. To what account should earnings for reconsigning, and for stop for milling in transit, be credited?

Answer. When a charge for milling-in-transit stop or for reconsigning is made in connection with or as a part of the through rate, the amount

of such charge should be credited to revenue account No. 1, "Freight Revenue"; but when the charge made is additional to the through rate and can not be considered as any portion thereof, its amount should be credited to revenue account No. 11, "Miscellaneous Transportation Revenue."

CASE 93.

Query. An industrial company guarantees that its monthly payments for freight shall not be less than a certain minimum. In the event of a deficit, which is collected by the railway company, to what account should the collection be credited?

Answer. Such a deficit should be credited to revenue account No. 11, "Miscellaneous Transportation Revenue."

CASE 94.

Query. To what account should "stop" charges be credited?

Answer. Where a charge for stop privilege is made in connection with or as a part of the through rate, such charge should be credited to revenue account No. 1, "Freight Revenue"; but when the charge is additional to the through rate and can not be considered as any portion thereof, it should be credited to revenue account No. 11, "Miscellaneous Transportation Revenue."

CASE 95.

(Omitted. Case now covered by the classifications.)

CASE 96.

(Omitted.)

CASE 97.

Query. To what account should be credited rent of space for a lunch counter in a passenger station?

Answer. Such rent should be credited to revenue account No. 18, "Rents of Buildings and Other Property."

CASE 98.

(Omitted. Case now covered by the classifications.)

CASE 99.

Query. To what account should be credited the amount of commissions received by a carrier for collecting premiums on insurance policies, etc., from employees?

Answer. Such amounts should be credited to revenue account No. 19, "Miscellaneous."

CASE 100.

Query. Is it contemplated that road and equipment account No. 1, "Engineering," shall include the salaries of engineers specially employed to work on plans for steel bridges, docks, and wharves in connection with construction work?

Answer. It is.

CASE 101.

Query. Is it permissible to charge discount on bonds sold for construction purposes to road and equipment account No. 47, "Interest and Commissions?"

Answer. Discounts should not be included in this account. (See Case 19.)

CASE 102.

Query. The text of road and equipment account No. 7, "Ties," reads in part, "and other ties and railway crossing timbers." Are not railway crossing timbers also provided for in account No. 15, "Crossings and Signs"? To what account should such timbers be charged?

Answer. Account No. 15, "Crossings and Signs," does not refer to railway crossings at grade.

CASE 103.

Query. The Classification of Locomotive-Miles, Car-Miles, and Train-Miles makes no provision for the division of mixed train-miles between passenger and freight. Upon what basis should this division be made?

Answer. No division between passenger and freight has been prescribed for mixed train-miles.

CASE 104.

Query. Should a train delivering ballast from the point of origin to the point where the work of spreading ballast begins be considered as a work train throughout, or as a company's material train while under running orders from point of origin to point of delivery, and as a work train during the actual delivery of ballast?

Answer. Such a train is a work train from the point of origin until it returns, irrespective of the fact that for a portion of the time it operates under running orders. See paragraph 3, page 17, of the Classification of Locomotive-Miles, etc.

CASE 105.

Query. In section 5 of the "Rules for Computing Train-Miles" on page 17 of the Classification of Locomotive-Miles, Car-Miles and Train-Miles, to which line do the words "The detouring line" refer?

Answer. "The detouring line" means the line to which the train belongs.

CASE 106.

Query. Are carriers at liberty to set up depreciation accounts as subprimary accounts under the general account Maintenance of Way and Structures?

Answer. No depreciation accounts have been prescribed by the Interstate Commerce Commission except those affecting the seven classes of equipment specifically named. It is recognized, however, that other classes of railway property are subject to depreciation, and carriers are permitted to set up subprimary accounts covering depreciation, provided that in so doing their accounts conform to the provisions of the order, dated June 3, 1907, prescribing the Classification of Operating Expenses. In such cases the names and descriptions of such subaccounts must be filed with the Interstate Commerce Commission, as provided for in the orders promulgating the classifications.

CASE 107.

(Omitted. Case now covered by the classifications and Case 36.)

CASE 108.

(Omitted.)

CASE 109.

Query. What rate per cent should be charged as depreciation on the several classes of equipment for which depreciation charges are required?

Answer. The Classification of Operating Expenses promulgated by the Commission does not state the specific rate to be charged for depreciation on any class of equipment, for the reason that the conditions under which equipment is used vary so greatly that no uniform rate of depreciation for all roads could reasonably be determined. Each reporting carrier should determine the rate to be used according to such experience tables as it may be able to construct from equipment records.

CASE 110.

(Omitted.)

CASE 111.

(Omitted.)

CASE 112.

Query. Railroad B is required under agreement with Railroad A to provide equipment to replace that destroyed or sold or to pay an equivalent in cash to A. Is it permissible for B to keep a dismantled equip-

ment account wherein to show the exact amount due A because of dismantled and sold equipment?

Answer. Such an account may be kept, provided it does not in any way impair the integrity of the accounts prescribed by the Commission.

CASE 113.

(Omitted. Case now covered by the classifications.)

CASE 114.

Query. A carrier company acquires the right to enter upon certain land and remove ballast. Should an account called "Operations of Gravel Pit at ——" be opened to cover this?

Answer. The amount paid for the rights should be charged to a clearing account, which may be designated as indicated.

CASE 115.

Query. At what time in the construction of a road is it required that the accounts be changed from Classification of Expenditures for Road and Equipment to Classification of Operating Revenues and Operating Expenses?

Answer. Accounting according to the Classifications of Operating Revenues and Operating Expenses should begin with respect to any particular part of a road as soon as that part has reached such a stage of completion that the commercial operations are the main portion of the business carried on over such part; that is to say, so long as the commercial operations are only incidental, it is not required that they be treated through the accounts provided in the Classification of Operating Revenues and the Classification of Operating Expenses. It must be considered, however, that as soon as trains begin running regularly over any part of the road, it is then appropriate to keep account of the receipts and disbursements for such part of the road through the operating expense and operating revenue accounts. However, it should be understood that any expenditures for unfinished construction work should be charged to Expenditures for Road and Equipment.

CASE 116.

Query. Railroad A owns, maintains, and operates an interlocking plant at a crossing of its own and Railroad B's tracks, for the use of which B pays interest upon its value and a proportion of the expenses of its maintenance and operation. What is the proper disposition of the debits and credits by A and B?

Answer. Railroad A should charge the expenses of maintenance and operation to its primary operating expense accounts and should credit the charges against B for interest to income account I 8, "Joint Facility Rent Income"; for maintenance to account No. 23, "Maintaining Joint Tracks, Yards, and Other Facilities—Cr."; and for operation, to account No. 78, "Operating Joint Yards and Terminals—Cr.," or to account No. 105, "Operating Joint Tracks and Facilities—Cr.," according to the location of the plant. B should charge the corresponding income and operating expense joint-facility accounts.

CASE 117.

Query. A number of connecting lines charge a carrier a proportion of the cost of operating joint interlockers, and credit "Maintaining Joint Tracks," etc., and the carrier makes similar bills against other lines. How should the expense be charged and credited?

Answer. See Cases 116 and 531.

CASE 118.

(Omitted. Covered by Case 193.)

CASE 119.

Query. If an express company pays a fixed amount annually for express privileges over a road, including facilities at stations, etc., should any part of this be applied to account No. 18, "Rents of Buildings and Other Property"?

Answer. If the contracts do not provide specific separate amounts for rent of facilities at stations, the entire fixed annual compensation should be credited to revenue account No. 6, "Express revenue."

CASE 120.

Query. How shall payments for trackage rights be accounted for when they are made upon the basis of a stipulated sum per ton or per passenger, of a proportion of revenue accruing on transportation business over the line covered by the trackage rights, or of a fixed sum per year?

Answer. Such payments should be apportioned by agreement of the parties interested into two parts, one of which is estimated to cover the maintenance and operation costs with respect to the traffic of the lessee, which portion should be included in the appropriate joint-facility expense accounts. The remaining portion should be included in joint-facility rent accounts under Income.

CASE 121.

Query. A carrier pays another road a certain sum per annum for trackage rights at a station, the charges being based on a percentage of the value of the property, the debtor company owning no interest in said property. To what account shall the debtor company charge the bill?

Answer. If the debtor company in addition to such sum bears its proportion of maintenance and operating charges, the percentage of value is a rent, and should be included in the appropriate rent accounts under Income. Otherwise the total charge should be apportioned by agreement of the parties into two parts, one of which shall cover only the element of operation and maintenance, this portion to be included in the appropriate joint-facility expense accounts. The remaining portion, representing interest on valuation and proportion of taxes, should be included in income account I 21, "Joint-Facility Rent Deductions."

CASE 122.

Query. Should amounts paid as license fees to cities for sidings on, along, or across streets be charged to taxes or to rents?

Answer. Such fees are evidently paid to the city because the railway company occupies public property. They are therefore in the nature of rents paid to a private landlord and should be charged to income account I 22, "Miscellaneous Rent Deductions."

CASE 123.

(Omitted.)

CASE 124.

(Omitted. Case covered by Case 53.)

CASE 125.

Query. Should all payments made for hire of equipment be disposed of through the account "Hire of Equipment"?

Answer. They should; except when chargeable to road and equipment, additions and betterments, or outside operations accounts, or to expense account No. 93, "Clearing Wrecks." (See Cases 195, 243, 282, 368, 417, 520, and 630.)

CASE 126.

(Omitted. Case was a duplicate of Case 52.)

CASE 127.

Query. To what account should rent for the exclusive use of lands and other property not used in the operation of the road or in outside operations be credited?

Answer. Such rents should be credited to income account I 9, "Miscellaneous Rent Income." (See Case 16.)

CASE 128.

Query. To what account should a carrier credit amounts received for permission to cross its right of way with a sewer pipe and for permission to cross over its tracks with a telephone line? The right to revoke the permission at pleasure is reserved.

Answer. The privileges given are mere licenses, and the receipts therefrom may properly be credited to income account I 18, "Miscellaneous Income."

CASE 129.

(Omitted.)

CASE 130.

Query. To what account should be credited amounts charged to other roads for transferring (switching) cars? These transfers are made necessary through fault of the other roads and the charges include actual cost of the transfer service plus per diem or car hire accruing upon the cars.

Answer. The portions of such charges covering per diem or car hire accruing on the cars at time of such transfer should be credited to account "Hire of Equipment." The remainder should be credited to account No. 9, "Switching Revenue." (See Case 131.)

CASE 131.

Query. To what accounts should be credited amounts charged to other roads for transferring the lading of cars? These transfers are made necessary through fault of the other roads, and the charges include the cost of transferring the lading, per diem or car hire accruing upon the cars, and a charge per car for switching.

Answer. The portions of such charges covering per diem or car hire accruing on cars at the time of transfer should be credited to the account "Hire of Equipment." The portions of the charges covering the cost of transferring the contents of cars should be credited to operating expense account No. 63, "Station Employees." The charges per car for switching such bad-order cars should be credited to revenue account No. 9, "Switching Revenue."

CASE 132.

Query. To what account should be charged the payments for a company's equipment used in connection with additions and betterments?

I have assumed that the credit should be given to the account "Hire of Equipment."

Answer. A fair rent of equipment used in additions and betterments work should be charged to the various additions and betterments accounts affected, and should be credited to account "Hire of Equipment."

CASE 133.

(Omitted. Case covered by Case 268.)

CASE 134.

(Omitted. Case covered by Case 636.)

CASE 135.

Query. How should the expenses of locomotives used exclusively in switching or spotting ore cars at ore docks be charged? How should their mileage be reported?

Answer. When the expenses of the ore docks are included in account No. 65, "Coal and Ore Docks," the cost of the switching service should be included in the appropriate primary operating expense accounts. Mileage of these locomotives should be included in "Switching Locomotive-Miles." When these operations are classified as outside operations, if the switching service is considered a part of the operations of the ore docks, the cost of the switching service may be included in the accounts of such operations, and mileage of these locomotives should not be included in the returns for "Switching Locomotive-Miles" in the annual reports to the Commission.

CASE 136.

Query. A railroad operates as an outside operation some of its restaurants and leases others at a nominal rent, the lessee receiving all revenues and paying all expenses with the exception that coal and ice are furnished without charge by the railroad. To what account should the railroad charge the cost of the coal and the ice thus furnished for use in the leased restaurants?

Answer. Such cost should be charged to operating expense account No. 98, "Other Expenses."

CASE 137.

Query. How may operations which should be charged to operating expense account No. 95, "Operating Floating Equipment," be dis-

tinguished from those which should be included under Outside Operations?

Answer. The operating costs chargeable to account No. 95, "Operating Floating Equipment," are those of floating equipment which is operated in connection with rail line transportation, such as car ferries operated in lieu of a bridge or tunnel, etc.

CASE 138.

Query. Sleeping cars are not listed among the cars classified as passenger-train cars in Note A under account No. 31, "Passenger-Train Cars—Repairs." Is this omission intentional?

Answer. The cost of repairs to sleeping cars that are operated as outside operations should be charged to accounts provided for such operations. The cost of repairs to sleeping cars operated by an outside company for which a carrier becomes responsible should be included in operating expense account No. 31, "Passenger-Train Cars—Repairs."

CASE 139.

(Omitted. Case covered by Case 16.)

CASE 140.

Query. A railroad purchased a dwelling, apart from the right of way, for the occupancy of the superintendent of motive power, taking the title thereto in the name of a vice-president, who filed with the railroad a declaration of trust. How should this expenditure be classified?

Answer. Such expenditure should be included in general balance sheet account B 6, "Miscellaneous Investments."

CASE 141.

(Omitted. Case covered by Case 16.)

CASE 142.

Query. A railroad charges tenants of its warehouses a stated price per cubic foot per annum for refrigeration. How should it credit these charges?

Answer. If the cost of such refrigeration can be determined with reasonable accuracy, the cost, as also the receipts for refrigeration, should be included under Outside Operations—Cold-Storage Plants; otherwise the receipts should be credited to revenue account No. 19, "Miscellaneous."

CASE 143.

Query. A railroad has tug and barge lines carrying coal from Z harbor to points on the Y coast. May these operations be treated as outside operations; and if so, under which of the accounts prescribed?

Answer. Such operations may be accounted for under Outside Operations—"Boat Lines."

CASE 144.

Query. To what account should be credited the value of track material taken up, such as scrap angle bars, frogs, etc.?

Answer. The value of such material should be credited to the cost of the work in connection with which it is taken up.

CASE 145.

Query. Where 63-pound rail is replaced with new 80-pound rail and 56-pound rail in another main line is replaced with the 63-pound rail released by the new rail, is the betterment the difference between the 80-pound rail and the 56-pound rail finally released?

Answer. It is, so far as the question of weight is a factor in determining the amount of betterment. See text of additions and betterments account A 8, "Increased Weight of Rail."

CASE 146.

Query. When operators are stationed at points along the line to protect trains while construction work is being done—for instance, rebuilding of bridges—should their pay be charged to the cost of the work on which engaged or to Operating Expenses?

Answer. The pay of operators while thus engaged should be charged to Operating Expenses.

CASE 147.

Query. Is it proper to charge the cost of equipping locomotives with electric headlights to account "Locomotives—Replacement?"

Answer. It is not. Additions and betterments to equipment should be charged as provided in text of additions and betterments account A 33, "Equipment."

CASE 148.

Query. Is it permissible to charge to Additions and Betterments the excess cost of substituting rock ballast where gravel ballast had previously been used?

Answer. See Case 434.

CASE 149.

(Omitted. Case covered by Case 537.)

CASE 150.

Query. To what account under Additions and Betterments is the cost of the initial installation of track scales chargeable?

Answer. The cost of the initial installation of track scales should be included in additions and betterments account A 35, "Other Additions and Betterments."

CASE 151.

Query. A road is operated to bring ore from mines and carry supplies to those mines. Should all expenditures for improvements be charged to Operating Expenses?

Answer. The cost of all such improvements should be charged as directed in paragraph 2 of the General Instructions in the Classification of Expenditures for Additions and Betterments.

CASE 152.

Query. To what account should be charged the rent of ballast cars used in the first delivery of ballast?

Answer. Such rent should be charged to additions and betterments account A 11, "Ballast," if the equipment is used in work which is a betterment to the previously existing track; to road and equipment account No. 33, "Rent of Equipment," if the road is not completed. (See Case 266.)

CASE 153.

Query. What accounts should be charged with the loss on obsolete material which is taken out of stock and sold as scrap?

Answer. Such loss should be charged to the accounts to which the material ordinarily would be charged if issued for use.

CASE 154.

Query. To what accounts should the pay and expenses of employees engaged in the purchase, care, and distribution of stationery supplies be charged?

Answer. These expenditures should be charged to clearing account "Stationer's expenses," and from that account should be charged to the primary accounts to which the stationery issued is charged, apportionment being upon the basis of the charges for the stationery distributed.

CASE 155.

Query. Note B, under operating expense account No. 3, "Ties," reads as follows: "This account may include each month a proportion of the total amount authorized or approximated for renewals during the fiscal year regardless of the month in which the actual renewal is made." Where, on account of the large variations in the expenses on account of injuries to persons, stationery and printing, and loss and damage, it has been the practice to treat such expenses in a similar manner through reserve accounts, charging to expenses estimates of the averages of such expenses, may the practice be continued?

Answer. Such a practice may be continued, provided the charges to expenses for each year are adjusted as nearly as possible to the actual accruals. Credit balances in the reserve accounts under this plan should be reported under balance sheet account B 45, "Operating Reserves," and such reserve balances should be carried until the liabilities for which they were created are liquidated or adjusted.

CASE 156.

Query. Where the general manager of the railroad has immediate supervision over all departments and is also the purchasing agent, how should his salary and expenses be apportioned?

Answer. His salary and expenses should be apportioned in accordance with Note B under expense account No. 1, "Superintendence."

CASE 157.

Query. Where a large number of temporary sidings and spur tracks are put in each year to serve mines, lumber operations, etc., is it permissible to charge the cost of the ties, spikes, labor of grading, and track laying and surfacing to Operating Expenses, and when old rails, angle bars, and switches are used to make no charge for such material? May the cost of such temporary tracks (except track material) be charged to Operating Expenses?

Answer. The property accounts should at all times represent the actual investment, and the treatment of the cost of sidings and spur tracks should be in accordance with the text of additions and betterments account A 13, "Sidings and Spur Tracks." (See Case 560.)

CASE 158.

Query. In the business of transporting ore from mines a company is continually obliged to install tracks at mines to reach stock piles and ore bodies, these tracks being continually relocated and removed.

How shall the cost of installing and changing these tracks be considered and may new primary accounts be established to cover this?

Answer. It is proper to consider the cost of relocating and changing these tracks an operating expense. It is not permissible to set up new primary accounts. Subprimary accounts under the various primary accounts promulgated may be set up in accordance with the order of the Interstate Commerce Commission of June 3, 1907, relative thereto. (See Case 157.)

CASE 159.

Query. Does the word "joint," in the titles of primary accounts No. 22, "Maintaining Joint Tracks, Yards, and Other Facilities—Dr.," and No. 23, "Maintaining Joint Tracks, Yards, and Other Facilities—Cr.," etc., indicate joint ownership of the property?

Answer. It does not. The word "joint" indicates merely joint use.

CASE 160.

Query. A portion of Railroad A's tracks is operated jointly by A and Railroad B. A charges B rent based on the valuation of the property. B maintains and operates these tracks and is reimbursed by A for a portion of such expenses, reckoned upon a wheelage basis. What is the correct accounting?

Answer. Both roads should include the rent in joint-facility rent accounts in Income. The cost of maintenance and operation should be included in B's primary accounts; the proportion of such cost paid by A should be included by both roads in the appropriate joint-facility expense accounts. (See Case 268.)

CASE 161.

Query. Railroad B uses Railroad A's station and yards and pays A a proportion of expenses of maintaining and operating these facilities. How should expenses be treated by both roads?

Answer. The accounting should be as explained in Case 116.

CASE 162.

Query. Is it proper to charge operating expense accounts No. 3, "Ties," and No. 4, "Rails," only the authorized or approximated amounts for renewals during the fiscal year, or may the charges to these accounts provide for a period beyond the fiscal year?

Answer. The operating expenses of any year should include only the actual cost of maintenance during the year. In special cases, on account of unusually large expenditures for maintenance in one year,

carriers may, when so authorized by the Commission, distribute such expenses over a longer period, the length of the period to be determined at the time that the authority is given.

CASE 163.

Query. In case cinders at ash pits are loaded by employees of the roadway department, is it permissible to include the cost of the work in expense account No. 2, "Ballast"?

Answer. It is not. The cost should be charged to the appropriate enginehouse expense account in accordance with Note A under account No. 2, "Ballast."

CASE 164.

Query. If a trackman is injured by a freight or passenger train, should the expense or settlement of that injury be charged to "Maintenance of Way—Injuries to Persons," or "Transportation Expenses—Injuries to Persons"?

Answer. Such expenses should be included in account No. 103, "Injuries to Persons," under Transportation Expenses.

CASE 165.

Query. To what account should be charged expenses and settlement payments on account of injuries to a prospective passenger by a maintenance-of-way work train?

Answer. Such expenses and settlements should be charged to maintenance expense account No. 19, "Injuries to Persons." The class of train causing the injury should determine the distribution of the charge.

CASE 166.

(Omitted.)

CASE 167.

Query. Is it proper for a carrier whose traffic, consisting of coal and ore, is chiefly transported during the lake navigation period, to distribute its annual depreciation charges for the year over the eight months in which the bulk of its revenue is earned?

Answer. There should be charged to Operating Expenses each month such an amount as may be determined as fairly representing the actual depreciation or loss in value of equipment in service. Such charges are designed to cover the consumption of capital invested in property. While this consumption of capital is probably greater during the months of active service, a considerable portion occurs

regardless of the extent of the service, obsolescence being clearly independent of the service performed.

In the event that depreciation is not charged at a uniform monthly rate, the rates used in such charges for the several months of the year should be filed with the Division of Carriers' Accounts of the Interstate Commerce Commission.

CASE 168.

Query. What rate of depreciation should be charged by a carrier upon its equipment, all of which is old and suitable for service varying from 3 to 15 years?

Answer. Until otherwise directed, the rate of depreciation should be determined according to a carrier's experience and best source of information as to the actual average of accruals of such expenses. (*See Case 109.*)

CASE 169.

Query. A new freight car was destroyed in the month of July—no depreciation thus far had been charged. What is the proper treatment of this matter?

Answer. The details of the accounting are described in paragraph 2 of the text of additions and betterments account A 33, "Equipment." Carriers have the option of basing their monthly depreciation of equipment charges upon the equipment actually in service at either the beginning or the end of the month for which the charges are made.

CASE 170.

(Omitted. Case covered by Case 421.)

CASE 171.

(Omitted on account of changes in the classifications.)

CASE 172.

Query. Through what account should be made the adjustment of the equipment account to inventory values as of July 1, 1907?

Answer. Such adjustments should be made through Profit and Loss. (*See Case 566.*)

CASE 173.

Query. Railroad A makes all repairs to Railroad B's equipment and charges B the actual cost thereof. For the purpose of deter-

mining accurately the cost of these repairs is it permissible that the operations of A's shops be treated through a clearing account?

Answer. It is.

CASE 174.

Query. If it is not possible to preserve the identity of the scrap from each locomotive or car torn down, is it permissible to use careful estimates in determining the salvage values for accounting purposes?

Answer. It is.

CASE 175.

Query. Is it permissible to make charges to the renewals accounts except as equipment is condemned, destroyed, or sold?

Answer. It is not permissible. These accounts are intended for use only when equipment is retired from service. (See Case 421.)

CASE 176.

Query. To what account should be credited the amount collected by a carrier from a foreign line to cover the depreciated value of a car destroyed?

Answer. Such amount should be credited to additions and betterments account A 33, "Equipment." (See Case 421.)

CASE 177.

Query. Should the expenses, such as fuel and supplies used in a power house which furnishes power for running shop machines and for electric lights in passenger station, freight office, and other buildings, be prorated upon the basis of the power furnished, through the medium of a clearing account, to the appropriate primary accounts?

Answer. They should.

CASE 178.

Query. Where a power house supplies electric light for a passenger station, freight houses, warehouses, and train shed; furnishes heat for station, freight houses, and warehouses, as also refrigeration for cooling boxes in the warehouses, should the expenses of maintenance be charged to account No. 47, "Power Plant Equipment," and the expense of operation to account No. 86, "Operating Power Plants"?

Answer. The expenses of operating such a power plant may be treated through a clearing account and distributed to the various accounts chargeable with the products furnished. The repairs to the building and the machinery therein should be charged to account No. 16, "Buildings, Fixtures, and Grounds."

CASE 179.

Query. Should it be understood that the total charges to the clearing account, "Shop Expenses" shall be distributed only among the accounts specially mentioned in the official classification in that connection, or may the distribution be made over all the accounts affected?

Answer. The distribution should be made upon the basis of distributed labor over all accounts affected.

CASE 180.

Query. What is the proper accounting for the cost of maintenance and operation of a power plant which is used to generate current for purposes other than the propulsion of electric locomotives, trains, or cars, and the operation of which is not treated as an outside operation?

Answer. If the power furnished by the plant is used for shop purposes, the cost of operation should be cleared through clearing account "Shop Expenses"; and the cost of maintaining the buildings should be included in account No. 16, "Buildings, Fixtures, and Grounds," and the cost of maintaining the machinery in account No. 46, "Shop Machinery and Tools." (See Cases 58, 59, and 179.)

If used for other purposes, a separate clearing account should be provided through which the expenses of operation should be cleared to the proper accounts. (See Case 178.)

CASE 181.

Query. Should one-twelfth of the yearly insurance premiums upon company material in stock be charged each month to "Store Expenses" and prorated over the monthly issues?

Answer. Operating expense account No. 110, "Insurance," in the Classification of Operating Expenses includes all premiums made or paid by a carrier to its insurance fund and premiums (except reinsurance premiums) paid by it to insurance companies; therefore the monthly proportion of premiums referred to in query should be charged directly to that account.

CASE 182.

Query. To what account should be charged the cost of insurance on floating equipment?

Answer. When the operations of the equipment are included in expense account No. 95, "Operating Floating Equipment," the cost of the insurance should be included in account No. 110, "Insurance";

when the operations of the equipment are treated as outside operations, the cost of the insurance should be included in the appropriate accounts under Outside Operations.

CASE 183.

Query. Does the text of clearing account "Shop Expenses" require that certain designated expenses shall be charged to that account and that the account shall be closed monthly into the primary accounts upon the basis of the labor distributed directly to such primary accounts?

Answer. It does.

CASE 184.

Query. Referring to Note C under operating expense account No. 106, "Salaries and Expenses of General Officers," is the pay of purchasing agents, storekeepers, etc., chargeable to material accounts through the clearing account "Store Expenses," and should such expense be added to the cost of material?

Answer. The pay of purchasing agents, storekeepers, etc., should, when their services are entirely devoted to the purchasing and handling of materials, be charged to the clearing account "Store Expenses" and distributed upon the basis of the value of the material issued from the storehouses.

CASE 185.

Query. Referring to the clearing account "Store Expenses," in Classification of Operating Expenses, to what primary accounts should the storehouse expenses and purchasing department expenses be apportioned? Should not the total expenses be charged to material account and the cost of material increased accordingly? All material issued through the storeroom is purchased through the purchasing department, and issued from the storeroom by the same department.

Answer. Such expenses should be charged to clearing account "Store Expenses" and distributed upon the basis of the value of the material issued, to the operating expense or other accounts. (See Case 184.)

CASE 186.

(Omitted.)

CASE 187.

(Omitted.)

CASE 188.

(Omitted. Case covered by Cases 189 and 190.)

CASE 189.

Query. If a road locomotive performs yard service during a part of the day in a yard where regular switching service is maintained, is it permissible to class the entire expenses of such road locomotive as road locomotive expenses?

Answer. The expense of the service of the road locomotive should be apportioned between road and yard service on the basis of the service rendered.

CASE 190.

Query. The A Railroad has no regular yard crews, the road crews making up their own trains at terminals before leaving. May the expense be divided between yard and road service on the basis of mileage, using 6 miles per hour constructive mileage for yard work?

Answer. The expense should be divided between yard and road service on the basis of service rendered. The basis suggested is approved.

CASE 191.

Query. A railroad less than 10 miles in length does interchange switching between a number of roads which it crosses and performs switching service between connecting carriers and industries located upon its tracks. The traffic is practically all freight and is moved at a fixed rate per car, no charge being made for the movement of empty cars. In what accounts should operating revenues and expenses be included?

Answer. The revenue should be included in revenue account No. 9, "Switching Revenue," and the expenses should be charged to yard expense accounts wherever the classifications require a separation between yard and road expenses.

CASE 192.

Query. A terminal road is engaged in switching cars between industries and railways. Should the transportation expenses be reported as yard expense or road expense?

Answer. If the operation is exclusively a switching service, the revenues being properly creditable to revenue account No. 9, "Switching Revenue," the expenses should be included in the yard expense accounts.

CASE 193.

Query. Railroad A pays the salary of the agent and his assistants at a station where some switching is performed although there is no regular

yard, and charges Railroad B with one-half of such expenses. Should the proportion paid by B be included in the joint-facility accounts?

Answer. Expenses on account of employees should be treated through the joint-facility accounts only when the employees are engaged in maintaining or operating joint facilities. If the station referred to is not operated as a joint facility, all accounting entries should be in the primary accounts. If the station is operated as a joint facility, the railroad which pays the employees should include their salaries in account No. 63, "Station Employees," and the proportion paid by the other railroad should be included according to the location of the station in accounts "Operating Joint Yards and Terminals" or "Operating Joint Tracks and Facilities," by both railroads.

CASE 194.

Query. What account should be credited with money received from other railroads for water furnished their locomotives?

Answer. The money should be credited to the account to which the cost of the water was originally charged.

CASE 195.

Query. The A Railway runs its equipment and crews from F (the junction between that line and Railroad B's line) over B's lines to H and return, for which B pays A a rate per mile for passenger locomotive service when in regular runs. When run in special passenger service or freight service, B pays A a higher rate per mile. How shall B dispose of these charges?

Answer. The two carriers interested should agree upon an apportionment of the mileage charge, and the portion allotted to the locomotive should be passed through the "Hire of Equipment" account; the portions allotted to enginemen, fuel, water, waste, etc., should be passed through the appropriate primary operating expense accounts. Statistics of miles made between the two points should be reported by B.

CASE 196.

Query. To what account should labor of lighting switch lamps be charged?

Answer. If not at terminals, it should be charged to account No. 63, "Station Employees;" if at terminals, it should be charged to account No. 69, "Yard Switch and Signal Tenders."

CASE 197.

Query. To what account should be charged care of switch lamps at stations along the line?

Answer. If at stations at which no regular switching service is maintained, the labor should be charged to account No. 63, "Station Employees," and the supplies to account No. 66, "Station Supplies and Expenses."

CASE 198.

(Omitted. Case now covered by the classifications.)

CASE 199.

Query. Under the rules of a produce exchange there is a deputy inspector of weights who attends to all loading of grain for export at a terminal. His salary is paid by the produce exchange. His duties are to inspect, measure, and grade the grain. It occasionally happens that the carrier wants to load this grain out of hours, and in order to have the services of this man after working hours and on Sunday it has to pay for such services. To what account should such payments be charged?

Answer. To account No. 63, "Station Employees," if not incidental to an outside operation.

CASE 200.

Query. To what account should be charged stationery and printing expenses incurred on account of operating floating equipment?

Answer. Such expenses should be charged to transportation expense account No. 97, "Stationery and Printing," if not incidental to outside operations.

CASE 201.

Query. To what account should be charged the salary of superintendent of water service who is exclusively employed in superintending the production of treated water for use of locomotives?

Answer. It should be apportioned to expense account No. 74, "Water for Yard Locomotives," and account No. 83, "Water for Road Locomotives," as provided in the Supplement to the Classification of Operating Expenses.

CASE 202.

Query. How shall a carrier dispose of amounts allowed for loyal service and overtime work of certain employees during a strike?

Answer. Such allowances should be distributed to the accounts to which the regular pay of the employees is charged.

CASE 203.

(Omitted. Case now covered by the classifications.)

CASE 204.

Query. To what account should be charged the pay of gatemen who operate gates which are in reality signals at railroad crossings—not highway crossings?

Answer. The pay of gatemen while thus employed should be charged to account No. 90, "Interlockers and Block and Other Signals—Operation."

CASE 205.

Query. To what account shall expenses, such as car fare, traveling expenses, etc., of station employees be charged?

Answer. Such expenses should be charged to account No. 66, "Station Supplies and Expenses."

CASE 206.

Query. In what account should be included switching charges which it is customary to make upon cars which are transferred at junction points on account of not passing inspection?

Answer. The creditor should include these charges in revenue account No. 9, "Switching Revenue," and the debtor in expense account No. 98, "Other Expenses."

CASE 207.

Query. To what account should be charged the cost of exchange on checks cashed or deposited and the cost of drafts purchased?

Answer. Such costs should be included in account No. 114, "Other Expenses."

CASE 208.

Query. A company appropriates a certain amount annually to a pension fund. The amount of pensions actually paid during the past year was less than the amount appropriated. How should these amounts be treated?

Answer. The amount devoted annually to the pension fund can not be considered a proper charge to Operating Expenses. Operating Expenses are chargeable only with amounts of pensions paid to retired employees and expenses in connection therewith. (See Case 302.)

CASE 209.

Query. In what accounts should be included the pay and expenses of—

- (a) An auditor who acts as general bookkeeper?
- (b) A general superintendent who is responsible for the whole local management of the road?
- (c) A general agent who acts as clerk to the general superintendent and as local agent at the only station where there is an agent?

Answer. Such expenses should be included as follows:

- (a) Expense account No. 106, "Salaries and Expenses of General Officers."
- (b) Should be apportioned as directed in the note under account No. 61, "Superintendence."
- (c) The proportion covering services as clerk should be apportioned in accordance with the note under account No. 61, "Superintendence," and the remainder should be included in account No. 63, "Station Employees."

CASE 210.

(Omitted. Case now covered by classifications.)

CASE 211.

Query. Is it permissible to charge claims paid during the fiscal year against a reserve set up for freight overcharges and to make such further accruals by charges to revenue accounts as may be necessary to cover estimate of existing overcharge claims, thus maintaining a sufficient reserve to cover approximately all outstanding overcharge claims at any given time?

Answer. It is. Reserves thus created through charges to revenue accounts should be carried in general balance sheet account B 45, "Operating Reserves," until the liabilities for which they were created are liquidated. (See Cases 4 and 155.)

CASE 212.

Query. For several years past Railroad A has paid the A B Company a proportion of the cost of towing A B's boats to and from A's wharf at Y in lieu of cartage expense. Is it proper for A to charge the cost of this service to "Freight Revenue?"

Answer. It is.

CASE 213.

Query. To what accounts should be charged freight revenue on a carrier's line and on foreign lines, refunded on account of errors of the carrier in routing freight?

Answer. The road making the error should charge its proportion of the revenue refunded to account No. 1, "Freight Revenue," and foreign roads' proportions to expense account No. 98, "Other Expenses." (See Case 319.)

CASE 214.

Query. On a car received by a carrier from a connecting line certain switching was necessary at X Junction, the charge for which was absorbed by the carrier. A portion of this switching charge absorbed was recovered from another connecting line. How shall this matter be treated?

Answer. The net switching charge absorbed should be charged to the account to which the revenue upon the shipment was credited.

CASE 215.

Query. The tracks, station buildings, and other facilities between X and Y, owned by Railroad A, are used jointly by A and Railroad B. For the use of these tracks B pays A a specified rent upon a valuation basis, proportion of cost of maintenance upon a wheelage basis, and agreed proportion of the cost of station service (principally train telegraph service).

B's trains handle A's local freight and passenger business between these points in consideration of a stipulated percentage of revenue. What is the correct accounting by both railroads?

Answer. The specified rent should be included in the joint-facility rent accounts in Income. Proportion of cost of maintenance and operation should be included in the appropriate joint-facility operating expense accounts.

The proportion of the cost of maintaining and operating these tracks being provided for in a distinct arrangement, the percentage of revenue upon local business retained by A should be considered as additional rent and should be included in the appropriate joint facility accounts in Income.

Railroad B should include in its revenues the entire receipts of the local freight and passenger traffic between X and Y.

CASE 216.

Query. A train stops at X, but tickets to that point can not be bought for this train. The first point beyond to which a ticket may be bought is Y. It sometimes happens that a party desiring to get to X in a

hurry buys a ticket to Y and leaves the train at X, thus leaving an unused portion of the ticket in the hands of the conductor, which is returned to the auditor of passenger accounts. Or, in the case of reduced rate, a person desiring to visit an intermediate point will buy an excursion ticket and not use it to destination. How should these cases be treated?

Answer. The full amount received from the sale of the ticket should be credited to revenue account No. 2, "Passenger Revenue."

CASE 217.

(Omitted.)

CASE 218.

Query. Railroad B enters a terminal over Railroad A's line. A charges B for switching cars in this terminal both when B does and does not participate in the earnings (the charges in the latter case being higher), and in some cases whether the cars be loaded or empty. How should the various switching charges be treated?

Answer. Such charges on loaded cars should be charged by A to revenue account No. 1, "Freight Revenue;" switching charges on empty cars, when not in connection with loaded movements, should be charged to account No. 98, "Other Expenses." When the empty movement is in connection with a loaded movement and wholly incident thereto, the amount paid therefor should be charged to revenue account No. 1, "Freight Revenue." The charges should be credited by road A to account No. 9, "Switching Revenue."

CASE 219.

Query. Grain is transported to X and is there transferred from cars to elevators. Railroad companies receiving grain from such elevators for transportation pay to the elevator company a certain rate per bushel. In what account should such charges be included?

Answer. Such charges should be included in revenue account No. 1, "Freight Revenue."

CASE 220.

Query. Where a carrier pays industrial concerns the tariff rates for switching instead of performing the service itself, in what account should the payments be included?

Answer. If the switching service is provided for in the through rate, the payments should be charged to revenue account No. 1, "Freight Revenue."

If the carrier's revenue for the switching service is included in revenue account No. 9, "Switching Revenue," the payments should be charged to that account.

CASE 221.

Query. In the case of passenger trains run under a guaranty, the revenue being divided between "Passenger Revenue" and "Other Passenger-train Revenue," how should the mileage of such trains be treated?

Answer. Such mileage should be classed as "Passenger-train Miles," unless the train is a mixed train. (See Case 85.)

CASE 222.

Query. How should the revenues be classified when a carrier furnishes picnic trains on the following basis:

(a) At an agreed price per car regardless of the number of people handled?

(b) At a certain rate per passenger with a guaranty of a certain minimum revenue?

Answer. (a) Revenue based on the agreed price per car should be included in account No. 10, "Special Service Train Revenue."

(b) Revenue based upon the rate per passenger should be included in account No. 2, "Passenger Revenue," and additional payments under the guaranty in account No. 8, "Other Passenger-Train Revenue."

CASE 223.

Query. Circus trains are handled between stations at a lump sum for a train, with a limitation as to the number of people carried. Should the revenue be credited to revenue account No. 10, "Special Service Train Revenue?"

Answer. It should.

CASE 224.

Query. How should the statistics of passengers and of miles be treated in cases in which the revenue of picnic trains, charter trains, and theatrical trains is creditable to account No. 10, "Special Service Train Revenue?"

Answer. No accounts need be kept of passengers and passenger miles if the revenue is properly creditable to revenue account No. 10, "Special Service Train Revenue."

The train-miles, car-miles, and locomotive-miles should be classified as "Special Train-Miles," etc.

CASE 225.

Query. A carrier derives revenue from transferring trains of other railroad companies over a portion of its tracks with its own power, for which it charges a certain rate per car. What disposition should be made of this revenue?

Answer. If the amount received is in lieu of a division of freight revenue, and the service can not be classed as switching, the revenue should be credited to account No. 1, "Freight Revenue," and the freight statistics should be reported accordingly. If not in lieu of a division of freight revenue or not classifiable as switching revenue, the credit should be to revenue account No. 11, "Miscellaneous Transportation Revenue."

CASE 226.

Query. How should the revenue from parlor-car service be treated?

Answer. When the parlor-car service is not treated as an outside operation, such revenue should be credited to revenue account No. 4, "Parlor and Chair-Car Revenue."

CASE 227.

Query. A carrier ran a special train from A to B, destined to a point beyond, and required for the service a guaranty. Tickets collected amounted for the carrier's portion to less than the guaranty. It collected the remainder from roads beyond. How shall the amount collected under the guaranty be accounted for?

Answer. The portion collected under the guaranty should be credited to revenue account No. 8, "Other Passenger-Train Revenue." (See Cases 85, 221, and 222.)

CASE 228.

Query. A locomotive and crew perform service for an industry in shifting cars within the yard of the industry, the charge being made at a rate per hour to cover the entire time of the locomotive and crew, including the time running to and from the industry. How should the service performed and the revenue derived therefrom be treated?

Answer. The service performed should be considered as switching service and the revenue as switching revenue.

CASE 229.

Query. Garnishment suits are frequently entered against railroads for amounts due from them to other parties. In certain States the garnishee is allowed a fee for answering such suits. To what account should these fees be credited?

Answer. Garnishee fees should be included in revenue account No. 19, "Miscellaneous."

CASE 230

Query. To what account should sale of gravel from a company's gravel pit be credited?

Answer. The profit should be credited to revenue account No. 19, "Miscellaneous." The average cost of production should be credited to the ballast clearing account.

CASE 231.

Query. Is the "Car-Service" account to be credited with the amount of car service accruing in the current month or only with the amount actually paid during that month?

Answer. Credits to revenue account No. 16, "Car Service," should be upon the basis of accruals.

CASE 232.

Query. To what account should amounts realized from the sale of cinders be credited?

Answer. Such amounts should be credited to revenue account No. 19, "Miscellaneous."

CASE 233.

Query. To what accounts should be credited amounts collected for dumpage and for rent of coal trestles?

Answer. Charges for dumpage when not considered freight storage should be credited to revenue account No. 19, "Miscellaneous." Charges for rent of coal trestles should be credited to revenue account No. 18, "Rents of Buildings and Other Property," or to income account I 9, "Miscellaneous Rent Income" as may be appropriate.

CASE 234.

Query. A road pays commissions with its securities and charges the market value thereof to its construction accounts. To what account should be charged the difference between the par value and the market value of these securities?

Answer. The difference between the cash value of securities given as a commission and the par value of such securities should be charged to balance-sheet account B 20, "Unextinguished Discount on Securities."

CASE 235.

Query. A railroad company acquired from another company (whose property it purchased en bloc) a number of freight cars in bad condition, which are not used in operating its property, but are held for work in grading, etc., and repairs have heretofore been charged to the work benefited. Is this method of accounting approved?

Answer. It is if the cars are used on additions and betterments work. In reclassification of the charges to the additions and betterments accounts the cost of the repairs of this equipment should be included in road and equipment account No. 34, "Repairs of Equipment." (See Case 483.)

CASE 236.

Query. To what account should a carrier charge the cost of a log loader? This loader is not assigned or in any way attached to any particular car, and when not in use by the owning company will be used by outside parties at an agreed rate.

Answer. The cost of this log loader should, if chargeable to Operating Expenses, be charged to account No. 66, "Station Supplies and Expenses;" if chargeable to property account as first equipment of a new road, to road and equipment account No. 18, "Station Buildings and Fixtures;" if an addition to a road already in operation, to additions and betterments account A 21, "Station Buildings and Fixtures."

CASE 237.

Query. The Classification of Locomotive-Miles, Car-Miles, and Train-Miles makes no provision for motor or trailer mileage. Both of these kinds of mileage are a very large factor in the total miles on some roads. Please advise how they should be classified.

Answer. The motor-miles may be disposed of through a subaccount under "Locomotive-Miles" and the trailer-miles, through a subaccount or accounts under "Car-Miles."

CASE 238.

Query. How should miles run by nonrevenue cars in revenue trains be classified?

Answer. Such miles should be classified as revenue car-miles.

CASE 239.

Query. With regard to the provision under "Switching Locomotive-Miles," that switching miles shall be computed at the rate of 6 miles per hour for the actual time engaged in such service in excess of one

hour at any one station, is it to be inferred that no mileage should be computed for the first hour?

Answer. The rule requires that no switching mileage should be taken into account for a locomotive in road service unless the locomotive is engaged in switching service more than one hour at a particular station. If a road locomotive is engaged more than one hour, the rule is that the mileage should be computed at the rate of 6 miles per hour for only the excess time over one hour.

CASE 240.

Query. How should the miles made by switching locomotives in yard service be computed?

Answer. Miles made by switching locomotives in yard service should be computed at the rate of 6 miles an hour.

CASE 241.

Query. In case of a contract for the movement of circus cars at a lump sum, if the cars are moved in regular freight trains and not by special movement, shall the mileage be reported as "Freight Train-Miles" or as "Special Train-Miles," and if the latter, how can division be made? To what account should the revenue be credited?

Answer. If the circus cars carry passengers, a portion of the lump sum, determined by the accounting officer, should be credited to account No. 2, "Passenger Revenue," and the remainder included in account No. 1, "Freight Revenue." The mileage of the train should be reported as "Freight Train-Miles" and the mileage of the cars according to their individual use.

CASE 242.

Query. Should car mileage be kept under the four heads, "Freight Car-miles," "Passenger Car-miles," "Special Car-miles," and "Non-revenue Service Car-miles," or more in detail, as "Freight Car-miles—Loaded;" "Freight Car-miles—Empty;" "Freight Car-miles—Caboose;" "Passenger Car-miles—Passenger Cars;" "Passenger Car-miles—Sleeping, Parlor, and Observation;" "Passenger Car-miles—Other Passenger-train Cars;" "Special Car-miles—Freight, Loaded;" "Special Car-miles—Freight, Empty;" "Special Car-miles—Caboose;" "Special Car-miles—Passenger;" "Special Car-miles—Sleeping, Parlor, and Observation;" "Special Car-miles—Other Passenger-train Cars;" "Nonrevenue Service Car-miles?"

Answer. The car mileage should be kept in the fuller detail, using the 13 accounts as given.

CASE 243.

Query. In clearing a wreck it is necessary to use the wrecking train, engine, and crew of another company. What is the proper classification of the charge for the service?

Answer. Amounts paid for use of wrecking engine, crew, and derrick of another company hired in emergency to clear a wreck should be charged to account No. 93, "Clearing Wrecks." The company furnishing the wrecking outfit should credit the amounts for actual service performed to the primary accounts affected and credit the amounts charged as rent of equipment to "Hire of Equipment."

CASE 244.

Query. What is the proper classification of expenses for the stationery and printing used by outside agents, advertising department, and fast-freight lines?

Answer. Account No. 59, "Stationery and Printing," in Traffic Expenses, includes all stationery used in traffic department, except stationery used by traffic associations, fast-freight lines, and industrial and immigration bureaus. Stationery used by traffic associations, fast-freight lines, and industrial and immigration bureaus should be charged to the primary accounts provided for the expenses of these special lines of service.

CASE 245.

(Omitted. Case now covered by the classifications.)

CASE 246.

Query. To what account should be credited the slight profits accruing from percentages added to bills against other companies and individuals to cover superintendence, use of tools, etc.?

Answer. Such profits should be credited to Operating Expenses. (See Cases 262 and 394.)

CASE 247.

Query. How should bills covering joint-facility items which have been included in the primary accounts of the creditor prior to July 1, 1907, be charged by the debtor when taken up subsequently to that date?

Answer. Expenses which enter into accounts subsequently to July 1, 1907, on account of joint facilities of all kinds, should be included in the joint-facility accounts.

CASE 248.

Query. Under Maintenance of Equipment—"Superintendence"—are included the words "general foremen." What is meant by this term and in what respect are such employees distinguished from shop foremen as shown under the clearing account, "Shop Expenses?"

Answer. "Shop foremen" ordinarily includes foremen of departments, such as machine shop, boiler shop, blacksmith shop, etc. "General foremen" have jurisdiction over the several departmental or shop foremen. Where a single foreman has charge of all shops without the assistance of departmental foremen, he should be regarded as a shop foreman.

CASE 249.

Query. Should per diem reclaims be treated as a matter of hire of equipment?

Answer. Reclaims should be treated the same as per diem payments and disposed of through the account, "Hire of Equipment."

CASE 250.

Query. In addition to paying other companies a proportion of the cost of maintaining joint tracks, maintaining joint equipment, operating joint tracks, and general administration of joint tracks, a carrier pays a flat rent per annum. To what account should the rent be charged?

Answer. The rent should be charged to income account I 21, "Joint Facility Rent Deductions."

CASE 251.

Query. To what account should the salary of a station agent who also acts as a copy operator for dispatching trains be charged?

Answer. The salary of an agent thus employed should be charged to expense account No. 63, "Station Employees."

CASE 252.

Query. To what account should be credited amounts received from tenants for the privilege of cutting hay along our right of way?

Answer. Amounts received for such privileges should be credited to revenue account No. 19, "Miscellaneous."

CASE 253.

(Omitted. Case now covered by the classifications.)

CASE 254.

Query. To what account should be charged the payments for the use of an air-brake instruction car for the purpose of instructing maintenance of equipment and transportation department employees?

Answer. Such payments should be charged to expense account No. 61, "Superintendence."

CASE 255.

Query. Railroad A's land and tax commissioner has charge of land and tax matters for Railroad B. How should B charge payments of its proportion of this man's salary?

Answer. B should charge such payments to account No. 106, "Salaries and Expenses of General Officers."

CASE 256.

(Omitted. Case now covered by the classifications.)

CASE 257.

Query. Is the text of clearing account—"Shop Expenses"—which requires the apportionment of certain items of labor among the various accounts on the basis of the distributed labor charged, in conflict with M. C. B. Rule No. 104?

Answer. There is no conflict. M. C. B. rules govern charges between carriers and do not apply to operating expense accounts.

CASE 258.

(Omitted. Case covered by Case 193.)

CASE 259.

Query. To what account should be credited the amounts received for switching a private car and its occupants from one railroad to another as a part of a regular transportation movement?

Answer. Such switching earnings should be credited to revenue account No. 9, "Switching Revenue."

CASE 260.

Query. To what account should be credited the amounts received for switching express cars from one railroad to another as a part of a regular transportation movement?

Answer. Amounts received for such services should be credited to revenue account No. 9, "Switching Revenue."

CASE 261.

Query. To what account should coupons found in covers of interchangeable mileage books returned for redemption be credited?

To what accounts should be credited the value of coupons from mileage books which remain unrepresented after the expiration of the limit of the ticket?

To what account should be credited amounts of unclaimed penalty collections on trains; also, unclaimed redeemable portions of mileage tickets and credentials?

Answer. Such items should be credited to revenue account No. 8, "Other Passenger Train Revenue."

CASE 262.

Query. How should the percentage added to labor, representing the use of tools, superintendence, etc., and the percentage added to material, covering the cost of handling, transporting, and accounting, be credited?

Answer. The amounts based upon such percentages should be credited to Operating Expenses. (See Cases 246 and 584.)

CASE 263.

Query. Railroad B delivers, with its own power, over the tracks of Railroad A, live stock to stockyards D. How should amounts paid by B for use of these tracks be treated?

Answer. See Case 268.

CASE 264.

Query. To what "supervision" does the text of the several equipment repairs accounts refer?

Answer. The text of these accounts refers to the supervision by foremen, etc., whose pay is ordinarily included in clearing account "Shop Expenses." (See Case 248.)

CASE 265.

Query. To what account should amounts paid to switching railroads for switching loaded cars to and returning empty cars from industries be charged?

Answer. The amounts paid for both services should be charged to revenue account No. 1, "Freight Revenue," or No. 9, "Switching Revenue," as the case may require. (See Case 220.)

CASE 266.

Query. If rent of a pile driver used in the construction of a bridge be charged to account No. 33, "Rent of Equipment," in the Classification of Expenditures for Road and Equipment, how will the true cost of a bridge (on which this pile driver worked) be determined?

Answer. 1. If the pile driver is permanently mounted on a car the charge for the rent thereof should be made to road and equipment account No. 33, "Rent of Equipment." Should it be desired to divide this account into subprimary accounts so that the amount paid for hire of equipment used in constructing bridges can be ascertained, this may be done, provided that a list of such subprimary accounts be submitted to the Interstate Commerce Commission as provided for in the order promulgating the classifications.

2. If the pile driver is not mounted on a car its rent should be charged to road and equipment account No. 6, "Bridges, Trestles, and Culverts."

CASE 267.

Query. To what account should be charged the cost of loading sand, when the tariff rate for transportation includes such service?

Answer. Such cost should be charged to expense account No. 63, "Station Employees."

CASE 268.

Query. Railroad B has trackage rights over the line of Railroad A between two points, the consideration for these rights being based on a toll per loaded car. How should the payments for these trackage rights be accounted for when A maintains the tracks between the two points?

Answer. It is assumed that these payments include the following items, which should be apportioned as follows:

(a) Maintenance, which should be included in accounts Nos. 22 and 23, "Maintaining Joint Tracks, Yards, and Other Facilities."

(b) Operation, which should be included according to the location of the facilities in accounts Nos. 104 and 105, "Operating Joint Tracks and Facilities," or in accounts Nos. 77 and 78, "Operating Joint Yards and Terminals."

(c) Interest on valuation or rent which should be included in joint-facility rent accounts in Income.

In case considerable general expenses are covered in operations of the joint facilities, amounts should be apportioned to cover such general expenses, which amounts should be included in accounts Nos. 115 and 116, "General Administration Joint Tracks, Yards, and Terminals."

The apportionments between accounts should be determined by agreement between the railroads interested, the creditor showing upon its bills covering such expenses, its distributions for the guidance of the debtors.

CASE 269.

Query. To what account should be charged the amounts paid by a carrier for electric lights at street crossings not at stations or in yards, such lights being for the purpose of making the crossings safer for the passage of street traffic?

Answer. Such expenses should be charged to expense account No. 91, "Crossing flagmen and gatemen."

CASE 270.

Query. How should per diem charges paid and reclaims received by a switching railroad, whose cars seldom leave its own line, be treated in accounting?

Answer. The per diem should be charged and the reclaims should be credited to income account "Hire of Equipment."

CASE 271.

Query. To what account should be charged a railroad company's proportion of the expense of maintaining and operating the mileage exchange order bureau of a passenger association?

Answer. It should be charged to expense account No. 56, "Traffic Associations."

CASE 272.

Query. Railroad A has arrangements with a number of different roads, under which the entire expense of interlocking plants protecting railroad crossings, also crossings protected by manual signals, as well as stations at railroad crossings, are joint with such roads. In each instance one road pays the entire expense, both of labor and supplies furnished, and bills the other roads for their proportions. What is the correct accounting?

Answer. See Case 116.

CASE 273.

Query. How should amounts paid to and received from other companies for the use of joint facilities be included in the accounts when such amounts are based upon proportion of interest on valuation, in addition to expenses incurred in maintaining and operating such property?

Answer. See Case 116.

CASE 274.

(Omitted. Case now covered by the classifications.)

CASE 275.

(Omitted. Case covered by Case 116.)

CASE 276.

Query. What disposition in the accounts should be made of uncollectible freight undercharge corrections?

Answer. All uncollectible undercharges in a carrier's proportion of "Freight Revenue" growing out of corrections on waybills should be charged to account No. 1, "Freight Revenue;" other uncollectible items on account of undercharge corrections on waybills should be charged to expense account No. 98, "Other Expenses."

CASE 277.

(Omitted. Case covered by Case 116.)

CASE 278.

Query. Where stations, interlockers, water stations, etc., are owned and used jointly by several companies, how should the cost of operation be charged?

Answer. Such cost should be charged to the various expense accounts of the operating carrier and the proportion billed against other carriers should be credited to the appropriate joint-facility accounts; other carriers should debit the corresponding joint-facility accounts.

CASE 279.

Query. To what account should the revenue on a shipment lost or destroyed in transit be charged?

Answer. The revenue of the road on which the loss occurred should be charged to revenue account No. 1, "Freight Revenue." The amount paid to other companies for their proportion of accrued freight charges should be charged to expense account No. 99, "Loss and Damage—Freight."

CASE 280.

Query. Railroad B leases an extensive terminal from steamship company A, and sublets a portion of this property to transportation company C. That portion of the property occupied by C was formerly rented from A direct, but on account of the interests of B and C being

more closely allied the entire property was rented to B. How should the rents be accounted for by B?

Answer. The amount paid A should be charged to income account I 22, "Miscellaneous Rent Deductions." The amount received from C, less cost of maintaining that portion of the property occupied by C, should be credited to income account I 9, "Miscellaneous Rent Income."

CASE 281.

Query. To what account should be charged the actual cost of removing advertisements tacked or pasted upon cars, and to what account should be credited the charges under Master Car Builders' Association rules against other carriers for such services?

Answer. Both debits and credits should be included in expense account No. 89, "Train Supplies and Expenses."

CASE 282.

Query. A railroad company sends out a switch engine and crew to pick up lumber lost off a freight train belonging to another company. To what account should the wages of the crew and the use of the engine be charged, and to what accounts credited?

Answer. The wages of the crew and expenses of the engine should be charged by the company responsible for the loss of the lumber to expense account No. 99, "Loss and Damage—Freight," and the creditor should credit these items to the accounts to which they were originally charged. If a charge is made for rent of the engine, the amount thereof should be included by both companies in "Hire of Equipment" in Income.

CASE 283.

(Omitted. Case now covered by the classifications.)

CASE 284.

Query. Railroad A pays all the expenses of a train service operated from an intermediate point on its lines to an intermediate point on Railroad B's line and charges B upon basis of train mileage the cost of the service while upon B's tracks. Each road receives the revenue accruing upon its own line. What is the proper accounting for the expenses of the service?

Answer. The expenses should be included in the primary expense accounts other than joint-facility accounts, by both railroads. This is not a joint facility. If any portion of the charge for the train service is for hire of equipment the amount thereof should be included in income account, "Hire of Equipment."

CASE 285.

(Omitted.)

CASE 286.

Query. Trains of Railroad B operating under through schedules run over the tracks of Railroad A. The earnings of these trains while on these tracks are absorbed by A. B charges A the expenses of these trains, including wages of the crews, while on A's tracks. What accounts should be credited with the amounts of the bills so rendered?

Answer. The appropriate operating expense primary accounts other than joint-facility accounts should be credited. This is not a joint facility. If any portion of the charges for the trains is for hire of equipment the amount thereof should be included in income account, "Hire of Equipment." (See Case 284.)

CASE 287.

Query. To what account should be charged a railway's proportion of expenses of an association to protect the various railroads in litigation regarding patents upon mechanical devices used in the operation of locomotives or cars?

Answer. It should be charged to expense account No. 109, "Law Expenses."

CASE 288.

Query. In what account should be included payments by one carrier to another carrier for rent of stalls for housing locomotives?

Answer. When the use of the stalls is infrequent and not in connection with the regular joint use of other facilities, the rents paid should be charged to the appropriate enginehouse expense account and credited by the owning company to revenue account No. 18, "Rents of Buildings and Other Property." If the joint use of the stalls is frequent or is incident to the regular joint use of other facilities, the rent should be included by both companies in the joint-facility accounts.

CASE 289.

Query. In what account should be included rents paid by one carrier to another carrier for the exclusive use of yards and tracks—

(a) When upon the basis of a specified amount per month?

(b) When upon the basis of the number of cars handled over such tracks?

All expenses of maintaining are paid by the lessee. The taxes are paid by the lessor.

Answer. The rents should be included in the appropriate rent accounts under Income.

CASE 290.

(Omitted. Case covered by Case 121.)

CASE 291.

(Omitted. Case covered by Case 121.)

CASE 292.

Query. In what account should be included rents collected by a carrier for use of land covered by a part of a union station building?

Answer. The rents should be included in income account I 9. "Miscellaneous Rent Income."

CASE 293.

Query. To what account should be credited rent collected from a private individual for the joint use of a carrier's side track?

Answer. Such rents should regularly be divided into two parts; one, representing the cost of maintenance, should be included by the carrier in expense account No. 23, "Maintaining Joint Tracks, Yards, and Other Facilities—Cr."; the other should be included in income account I 8, "Joint Facility Rent Income." (See Case 636.) In case the collections are small they may be credited to revenue account No. 18, "Rents of Buildings and Other Property."

CASE 294.

(Omitted. Case covered by Case 121.)

CASE 295.

(Omitted. Case covered by Case 121.)

CASE 296.

Query. To what account should be credited the rent of a carrier's lands and buildings which are not used in connection with operations of the road? The value of this property is carried in the road and equipment accounts.

Answer. Such rent should be credited to income account I 9. "Miscellaneous Rent Income."

CASE 297.

Query. Owing to the heavier equipment now being used, the ballast now in the tracks is not sufficient to stand the additional weight and strain, and it is necessary to add ballast on top of broken stone in some places, cinders in others, and gravel in others, and the gravel now being used is entirely different from the gravel ballast originally used. Should this additional ballast be considered as a betterment or a renewal?

Answer. See Case 434.

CASE 298.

Query. To what account should a carrier charge payments to detective agencies for special services?

Answer. The purpose of the special services should determine the account chargeable. Ordinarily such expenses are chargeable to Operating Expenses, but in exceptional cases they may be chargeable to Additions and Betterments, and upon new lines to Road and Equipment.

Payments for detecting thieves are provided for under account No. 99, "Loss and Damage—Freight."

CASE 299.

Query. To what account should collections and refunds on account of switch keys be carried?

Answer. Such collections and refunds should be carried to the account to which the cost of the keys which are covered by the collections or refunds was charged when issued.

CASE 300.

(Omitted. Case now covered by the classifications.)

CASE 301.

Query. To what account should a carrier charge its proportion of the expenses of a railway clearing house, the purpose of which is to secure the proper distribution and use of freight-car equipment?

Answer. Such expenses should be included in account No. 64, "Weighing and Car-Service Associations."

CASE 302.

Query. A company keeps a separate or independent fund from which pensions are disbursed. A certain amount per month, making an annual total 12 times as great, is appropriated through the Income

Account and credited directly to an open account, which is closed annually when the amount is paid over. The pension fund is invested in interest-bearing securities. Whenever pensions are paid the amounts are debited to an open account and about every quarter collected from the trustee of the fund. There are no administration or other expenses in connection therewith. What is the proper accounting?

Answer. The amounts appropriated and charged to Income should be credited to account B 46, "Liability on Account of Provident Funds." The amounts of the pensions accrued should be included in expense account No. 112, "Pensions."

The amounts of the pensions paid from the pension fund should be charged to account B 46, "Liability on Account of Provident Funds," and concurrently credited to Profit and Loss.

CASE 303.

(Omitted. Case covered by Case 116.)

CASE 304.

Query. To what account should be charged settlement payments on account of injuries to persons other than employees or passengers, the injuries having been caused by a defective highway within the boundary lines of the carrier?

Answer. Such settlement payments should be charged to expense account No. 19, "Injuries to Persons."

CASE 305.

Query. To what account should be charged fixed amounts per annum paid by a carrier to municipal corporations for fire protection, the protection consisting of the installation and maintenance of water pipes and fixtures and the maintenance of water pressure in them at all times?

Answer. The account should be determined by the property protected. If for protection of buildings, the charge should be to expense account No. 16, "Buildings, Fixtures, and Grounds."

CASE 306.

Query. To what account should be charged rent of land occupied by a carrier's station?

Answer. Such rent should be charged to income account I 22, "Miscellaneous Rent Deductions."

CASE 307.

Query. To what account should be charged the rent of a tract of land which is leased and upon which has been constructed a side track for the purpose of preventing the extension of a street across a carrier's tracks at grade?

Answer. Such rent should be charged to income account I 22, "Miscellaneous Rent Deductions."

CASE 308.

Query. Railroads A and B jointly own and operate a side track. For convenience, A pays the full cost of maintenance and bills B a proportion of such cost, based on the ratio of the ownership by the two railroads. How should these costs be accounted for?

Answer. Railroad A should charge the entire cost to its primary expense accounts, crediting B's proportion to the appropriate joint-facility creditor accounts. B should charge its proportion to the corresponding joint-facility debtor accounts. (See Case 116.)

CASE 309.

(Omitted. Case now covered by the classifications.)

CASE 310.

(Omitted. Case now covered by the classifications.)

CASE 311.

Query. In what account should the cost of repairs of machinery in bridge and building department shops be included?

Answer. The cost of such repairs should be included in account No. 46, "Shop Machinery and Tools."

CASE 312.

(Omitted. Case covered by Case 116.)

CASE 313.

Query. In what account should be included the expenses of draping stations along the line of the road?

Answer. Such expenses should be included in account No. 114, "Other Expenses."

CASE 314.

Query. In what accounts should be included—

(a) Payments for stock killed by construction trains?

(b) Payments for damages caused by water overflowing by reason of embankments, etc., incident to construction work?

Answer. (a) Such payments should be included in the cost of the construction work.

(b) See Case 317.

CASE 315.

Query. Railroad B, incident to the construction at its own expense of a double-track bridge over the tracks of Railroad A, finds it necessary in locating the center pier of this bridge to shift the telegraph line and one track belonging to A. Railroad B being in course of construction, to what account should cost of shifting telegraph line and track be charged?

Answer. Such costs should be charged to road and equipment account No. 6, "Bridges, Trestles, and Culverts."

CASE 316.

Query. A carrier has a road under construction and has been obliged to lay a number of temporary tracks which are now being partly or wholly taken up. The material from such tracks is given a certain value. What is the proper accounting?

Answer. The cost of temporary tracks laid during construction of a new line should be charged to the appropriate road and equipment accounts, and the value of material removed therefrom credited, when removed, to the same accounts, thus leaving the remainder of the cost of such tracks charged to the appropriate primary accounts in that classification.

CASE 317.

Query. To what account should be charged expenditures in payment of damages on account of washouts or overflow caused by the construction of a new double track?

Answer. Charge to cost of constructing double track if the construction accounts are still applicable, or to expense account No. 101, "Damage to Property," if the track has been opened for operation.

CASE 318.

Query. What account in the Classification of Expenditures for Road and Equipment is properly chargeable with the cost of a calyx drill and the boiler and engine used in connection with its operation? This drill is to be used in making test holes prior to the construction of a steel bridge.

Answer. If this drill and machinery are permanently mounted on a car the cost should be charged to account No. 41, "Work Equipment"; if not permanently mounted on a car and bought solely for use in connection with construction of bridges, the cost should be charged to account No. 6, "Bridges, Trestles, and Culverts," and the salvage, if sold, or the depreciated value, if retained for general use, credited to this account on the completion of the work. The depreciated value of these tools, when retained for general use as a part of the first outfit of a new road, should be charged to road and equipment account No. 13, "Roadway Tools." If such tools, either when purchased new or when devoted to general use at the expiration of construction work on which they have been used, are not a part of the first outfit of tools for a new road or branch line the cost or value thereof should be charged to operating expense account No. 18, "Roadway Tools and Supplies."

CASE 319.

Query. An agent bills a car to wrong destination, causing shipment to be overcharged and the originating line has a claim to pay. To what account should it be charged?

Answer. The road making the error should charge to revenue account No. 1, "Freight Revenue," its proportion of the revenue refunded, and the foreign road's proportion to expense account No. 98, "Other Expenses."

CASE 320.

Query. The text of revenue account No. 2, "Passenger Revenue," states that "the account should be charged with amount paid for transferring passengers and baggage between depots, except in cases where the transfer of both passengers and baggage is provided for in the division of the through rate." Will you please advise correct interpretation of this clause?

Answer. The paragraph referred to provides for charging "Passenger Revenue" with amounts paid to local transfer agents or companies where the cost of the transfer is included in the rate and has been credited to "Passenger Revenue." The exception refers to instances where the cost of the transfer is provided for in the division of the through rate and credited directly to the transfer agency.

CASE 321.

(Omitted.)

CASE 322.

(Omitted.)

CASE 323.

(Omitted.)

CASE 324.

(Omitted.)

CASE 325.

Query. This company moved three special trains carrying soldiers, wagons, horses, grain, hay, and camp accouterments. Special rates were made per capita for the soldiers, per carload for the horses, and per hundredweight for the hay, grain, etc., based on carload and less than carload. What account should be credited with revenue earned?

Answer. Such revenue should be credited to revenue account No. 10, "Special Service Train Revenue."

CASE 326.

Query. Revenue under account No. 18, "Rents of Buildings and Other Property," is derived from rent of rooms in the passenger station, space in the main waiting room, and the ground on which the tenants have erected buildings. Is it permissible to charge this account with the cost of heat, light, water, janitor service, etc., incidental to the care of the rented rooms and space in the passenger stations? The rooms are not required by this company in connection with transportation, and these expenses would not be incurred if the rooms were not rented.

The ground rented to tenants is within the yard limits, but is not in any way essential to the operations of this railroad. The leases in some cases provide, in addition to rent, the tenants are to reimburse us for taxes, street improvements, and other assessments levied against the property. Is it permissible to charge account No. 18 with taxes on ground leased where there is no provision in the contract for payment of the taxes by the tenants?

Answer. If the cost of maintaining and operating the rented property is separable from like expenses of the property used by the carrier, the revenue and expenses should be included in income account 19, "Miscellaneous Rent Income."

It is not permissible to charge taxes to revenue account No. 18. Case 16 is applicable.

CASE 327.

Query. The text of account No. 18, "Rents of Buildings and Other Property," reads in part as follows:

"This account includes a carrier's revenue from rents of buildings, land, and other property, such as depot and station grounds and build-

ings, union depot, etc., when such property is used in connection with operations and the expense of maintaining and operating it can not be separated from the expense of that portion used by the carrier."

Accounting Series Circular No. 14, relating to "Joint Facility Accounts," provides in part as follows:

"For the purpose of these accounts union depot, bridge, and similar companies will be considered common carriers."

(a) Is there not a conflict in the separate instructions above mentioned?

(b) Is it correct to assume that bills rendered by one carrier against another for rents of depots, station grounds, buildings, union depots, etc., should be treated by both the debtor and creditor carriers as joint facilities?

(c) Is it also correct to assume that the instructions above quoted relating to revenue account No. 18, "Rents of Buildings and Other Property," apply only to rents collected by a carrier from individuals and companies other than carriers for use of property as enumerated in the text under conditions mentioned therein?

Answer. (a) There is no conflict.

(b) The assumption is correct if the property is jointly used.

(c) Revenue account No. 18, "Rents of Buildings and Other Property," may include rents collected from another carrier when the property is not used as a joint facility; also rents from firms and individuals under conditions enumerated in the text of that account.

CASE 328.

Query. To what account should be credited the difference between the value of special-admission amusement coupons issued in connection with transportation and the amount paid on the basis of actual collection?

Answer. The difference should be credited to revenue account No. 19, "Miscellaneous."

CASE 329.

Query. We participate in the payment of a deficit in the operation of a union station. This station receives a small amount of independent earnings. To what account should these earnings be credited?

Answer. Such earnings should be credited to revenue account No. 21, "Joint Facilities Revenue—Cr."

CASE 330.

Query. How should the salaries and expenses of general managers and general superintendents who have direct supervision over Main-

tenance of Way and Structures, Maintenance of Equipment and Transportation Departments be distributed?

Answer. They should be apportioned equally to accounts No. 1, "Superintendence," No. 24, "Superintendence," and No. 61, "Superintendence."

CASE 331.

Query. A carrier employed a detective agency to discover the person who placed an obstruction on its tracks with the evident intention of wrecking a passenger train, as a result of which a section hand car was derailed and a man killed. To what account should this expense be charged?

Answer. It should be charged to account No. 61, "Superintendence."

CASE 332.

Query. It has been a carrier's custom for several years past to charge a certain amount each month to Rails and Ties, crediting the amount so charged to special Rail and Tie accounts, and when purchases were made same were charged to these special accounts.

In case the carrier is unable to purchase ties and rails as fast as desired, thereby leaving on its books the special accounts referred to unexpended, will it be permitted to carry these special accounts over into another year to be available for ties and rails when they can be bought?

Answer. Attention is directed to Note B under operating expense accounts No. 3, "Ties," and No. 4, "Rails," and to the answer in Case 32.

CASE 333.

Query. If a carrier should buy a quantity of ties during the current month to be used for replacement during the next five or six months, should the amount expended for same be included in the current report of expenses or should it be distributed in proportion to the material used during the various months; and in the event this invoice was not paid until the following month, in what month should it be included for report of expenses?

Answer. Expenses should be charged in the month in which they occur. In the case of material the expense occurs when the material is applied and not when it is purchased. Exception to this general rule is made in the case of rails and ties, which may be apportioned over the several months of the fiscal year, the total charge in every case being equal to the total expense of the material actually applied.

Material purchased not for immediate use should be carried in appropriate material accounts until used.

CASE 334.

Query. Referring to Note B under captions "Rails" and "Ties," it is a railroad company's understanding of these notes that the apportionment of rail and tie renewals by months is left to the discretion of carriers. There are practically no rail and tie renewals during the first two months on the company's lines, and it has been the custom to prorate the estimated renewals over the remaining 10 months. Is this permissible?

Answer. There are no objections to the plan proposed.

CASE 335.

Query. In the case of a renewal of a bridge, July 1, 1907, should the cost of renewing to the extent of the original cost of the bridge be charged to a ledger account "Depreciation prior to July 1, 1907," or is it a proper charge to current operating expenses?

Answer. Charges should be made in conformity with paragraph 4 of General Instructions and with text of account A 7, "Bridges, Trestles, and Culverts" in the Classification of Expenditures for Additions and Betterments.

CASE 336.

Query. To what account should be charged the expense of the removal of brasses from cars which are stored in hazardous locations to prevent the loss of the brasses by theft?

Answer. Such expense should be charged to the appropriate car repair account.

CASE 337.

Query. To what account should be charged the amount of a judgment, including court costs, in an action of the United States against a carrier on account of defective appliances on cars?

Answer. It should be charged to expense account No. 50, "Other Expenses."

CASE 338.

Query. To what account should the expenses of soliciting agents for fast freight lines be included?

Answer. Such expenses should be included in expense account No. 57, "Fast Freight Lines."

CASE 339.

(Omitted.)

CASE 340.

Query. To what account should be charged the cost of car seals used in securing freight cars?

Answer. It should be charged to expense account No. 66, "Station Supplies and Expenses."

CASE 341.

Query. To what accounts should be charged the cost of printing baggage storage tags, and the labor of stamping date of arrival and date of storage commencement?

Answer. The cost of printing should be included in expense account No. 97, "Stationery and Printing." The labor in baggage storage rooms should be charged to account No. 63, "Station Employees."

CASE 342.

Query. A carrier recently had stolen from the safe at one of its stations on the Canadian border an amount of money which had been advanced to the agent for the payment of customs duty on imports, the agent acting as a customs broker in that respect. To what account should the loss of this money be charged?

Answer. It should be charged to expense account No. 98, "Other Expenses."

CASE 343.

Query. What account should be charged with United States Government fines imposed by the collector of customs for the delivery of freight in bond directly to the consignee instead of to the collector of the port, through the failure of the delivery clerk at a freight yard to notify the customhouse inspector at the point of delivery?

Answer. They should be charged to expense account No. 98, "Other Expenses."

CASE 344.

Query. Owing to errors made by billing agents on a line, claims were made for demurrage accruing at destination on foreign lines before delivery was effected. To what account shall the claim be charged when paid?

Answer. It should be included in expense account No. 98, "Other Expenses."

CASE 345.

Query. Should the rent of offices occupied by the legal department be charged to account No. 109, "Law Expenses"?

Answer. It should. (See Case 35.)

CASE 346.

Query. To what account should be charged premiums paid to procure currency needed to pay labor rolls?

Answer. They should be charged to expense account No. 114, "Other Expenses."

CASE 347.

Query. A pay check fell into the hands of an unauthorized party, who secured payment by use of a forged signature. A duplicate check was issued. To what account should the loss be charged?

Answer. It should be charged to expense account No. 114, "Other Expenses."

CASE 348.

Query. Depreciation charges on locomotives and passenger cars of a company have hitherto been made at a monthly division of one-twelfth of 10 per cent per annum of the original cost. In the opinion of the present management of the company this is altogether too high, local conditions and mileage considered. It is asked whether, pending investigation as to the rate of wear and tear on equipment of roads of similar conditions, it is proper that no charge be made for depreciation until proper statistics for an intelligent computation can be obtained, the excess, if any, to be charged later this fiscal year.

Answer. No definite percentage has been fixed for this purpose, that matter being left to the discretion of the carrier until such time as the Commission is prepared to prescribe a specific rate. In the meantime depreciation charges should be made in accordance with the provisions of the effective classifications.

CASE 349.

(Omitted.)

CASE 350.

(Omitted.)

CASE 351.

Query. A carrier has recently sold two locomotives. These locomotives are in its equipment account at an amount less than that received for them, and it is on the basis of the equipment account record that its monthly depreciation entries are made. Should additions and

betterments account A 33, "Equipment," be credited with the full amount realized from this sale, or should only the equipment account record value be so credited? If so, to what account should the profit be credited?

Answer. To account A 33, "Equipment," should be credited the record value of the equipment. If that amount represents the adjusted value in the equipment account as of July 1, 1907, or is the actual cost if purchased after that date. The profit should be credited to Profit and Loss.

CASE 352.

Query. Two box cars which were carried in the carrier's account at the salvage value only are condemned, the bodies taken for use as bunk houses for laborers, and the trucks were put into service for wrecking purposes. What is the correct accounting?

Answer. Assuming that the equipment had been regularly written down to the amount of the salvage value, this amount should be credited to additions and betterments account A 33, "Equipment;" the proportion of this value represented in the salvage contained in the bodies of the cars, together with the cost of fitting bodies up as bunk houses, should be charged to operating expense account No. 16, "Buildings, Fixtures, and Grounds," provided the houses are used for replacement purposes. If, however, the houses may properly be considered as an addition and betterment, the charge should be to additions and betterments account A 35, "Other Additions and Betterments." If the houses are used by laborers engaged in construction work, their cost should be included in the accounts in which also are included the labor of the men who use them, and when such work is completed the accounts thus charged should be credited with the depreciated value of the bunk houses.

The proportion of the value of the salvage represented in the trucks should, in the first instance, be charged to the appropriate material account, and when the trucks are placed in use in wrecking service, if replacing other trucks thus previously used, such salvage value plus the additional cost of fitting the trucks up for such service should be charged to operating expense account No. 43, "Work Equipment—Repairs."

CASE 353.

Query. Under each of the Equipment—Repairs accounts may be found the following text:

"The value of old material released during repairs, insurance recovered, and repayments from other roads should be credited to this account."

It might be inferred from the words "insurance recovered" that all equipment insurance should be so treated. Is it not a fact, however, that in case of the total destruction of equipment any amount recovered from insurance should be credited to "Equipment," while the insurance for partial damages should be credited to repairs?

Answer. The text of "Repairs" accounts refers to insurance recovered on equipment repaired and returned to service. Insurance recovered on equipment totally destroyed should be credited to additions and betterments account A 33, "Equipment."

CASE 354.

Query. The payment of installments of principal on car trusts being essentially a purchase of equipment, is it permissible for a railroad during a period of superabundance of cars to apply its replacement fund to the payment of such installments, reducing the inventory cost of equipment it actually has on hand instead of acquiring physically new equipment? If this is not permissible, is it allowable for a railroad to postpone its charges to the replacement fund until more prosperous times, in the meantime using the cash for other purposes?

Answer. With the adoption of the Classification of Expenditures for Additions and Betterments, effective July 1, 1910, and the Form of General Balance Sheet Statement, effective June 15, 1910, the replacement accounts were discontinued.

Equipment acquired under the car-trust plan by a road in operation should be charged to additions and betterments account A 33, "Equipment." If desired, the carrier's interest in such equipment may be carried in subaccounts under Additions and Betterments and under Road and Equipment.

CASE 355.

Query. Define what should constitute a charge to the account No. 51, "Maintaining Joint Equipment at Terminals—Dr."

Answer. The account No. 51, "Maintaining Joint Equipment at Terminals—Dr.," is an account to which a company using a joint terminal should charge that portion of the cost of maintaining the equipment used jointly in the operation of such terminal, as may be apportioned to it by the operating company.

CASE 356.

Query. To what account should be charged the expense of repairing passenger-train and freight-train cars damaged by switching engines in yards jointly operated by one or more companies when such cars are not used in operation of the terminals?

Answer. Such expenses should be charged by the carrier first paying the cost of such repairs to its primary accounts regardless of where the damage occurred. Proportions apportioned to tenant lines should be handled through the joint-facility accounts.

CASE 357.

(Omitted. Case covered by Case 74.)

CASE 358.

(Omitted. Case covered by Case 74.)

CASE 359.

Query. A railroad employs street watchmen to guard street crossings within its yard limits for the safety of the public, and includes the cost of the service in account No. 91, "Crossing Flagmen and Gate-men," and prorates the expense among three lines operating over the yards on which these flagmen are employed. How should amounts received be credited?

Answer. They should be credited to expense account No. 78, "Operating Joint Yards and Terminals—Cr."

CASE 360.

Query. Railroad A has a drawbridge over a bayou for the operation of which it employs bridgemen, the expense being prorated among four railroads. How should amounts received by A be credited?

Answer. If the bridge is in a yard, credit expense account No. 78, "Operating Joint Yards and Terminals—Cr.;" if on road, credit expense account No. 105, "Operating Joint Tracks and Facilities—Cr."

CASE 361.

(Omitted. Case now covered by the classifications.)

CASE 362.

(Omitted. Case covered by Cases 120 and 121.)

CASE 363.

Query. To what account should be credited a bill against another line for its proportion of a joint through-train service?

Answer. It should be credited to the appropriate primary accounts other than joint-facility accounts. (See Case 286.)

CASE 364.

Query. A carrier has an arrangement with other lines whereby they are allowed trackage rights within a certain district, and the owner receives as compensation a fixed charge per car. This charge is apportioned to joint maintenance, operating, and income accounts, the division being based upon estimates and available statistics for previous years.

What account should be credited for an amount billed against one of these tenants for an accident damaging the carrier's tracks and some of the equipment of other carriers resting upon those tracks, and also an amount paid to one of the carrier's employees in settlement of a personal injury claim occasioned by such accident, the understanding being that the railroad causing an accident shall pay the expenses incident thereto, in addition to the amount it pays us for trackage?

Answer. The carrier incurring the expenses, which under the contract belong solely to another carrier, should, so far as practicable, charge the amounts of such expenses directly to bills collectible, and give credit to pay roll, voucher, or material accounts, as the case may be.

The carrier responsible should charge the expenses to its primary operating expense accounts.

CASE 365.

Query. In what accounts should be included amounts received for exclusive use of a section of a road and for interest on bank deposits? The leased section of the road is maintained by the lessee.

Answer. Such amounts should be included in appropriate accounts under Income. (See Case 289.)

CASE 366.

Query. To what accounts should interest and cash discounts be credited?

Answer. Interest should be handled through Income. All discount on bills for material purchased should be allowed to act as a credit to the account which was charged with the original invoice.

CASE 367.

Query. A railroad company wants to purchase freight cars and finds it can do so for cash, but is unable to provide the cash, and finds another party who will furnish the cars at a higher price and accept the railroad company's car-trust bonds in payment. Should the new cars be charged to equipment account at the higher rate or should the dif-

ference in prices be charged to Interest and Commissions under Additions and Betterments?

Answer. The extra amount paid for these cars by reason of inability to pay cash should be charged to balance sheet account B 20, "Un-extinguished Discount on Securities," and should be extinguished in the manner provided in the text of that account.

CASE 368.

Query. Amounts paid by Railroad A for hire of equipment used in joint yard operations are prorated among three tenant lines upon basis of number of cars handled for each. How should the payments and receipts be included in A's accounts?

Answer. They should be included in income account "Hire of Equipment."

CASE 369.

Query. To what account should be charged the cost of wharfinger license; i. e., license from the city for doing business over the wharf?

Answer. This charge appears to be analogous to rent and should be charged to income account I 22, "Miscellaneous Rent Deductions."

CASE 370.

Query. To what account should be charged the amount paid for lease of ground to be used as a roadway to sidetrack on the main line at a point where there is no station?

Answer. Such amount should be included in income account I 22, "Miscellaneous Rent Deductions."

CASE 371.

Query. Railroad A distributes the proportion, based upon one-third of salaries and supplies, of the expenses charged to Railroad B for joint use of A's terminal, as follows:

	Per cent.
Maintaining Joint Tracks, Yards, and Other Facilities—Cr.....	10
Operating Joint Yards and Terminals—Cr.....	25
Joint Facility Rent Income.....	65

Is it proper to apportion any part of such charges to rent?

Answer. If A owns the property operated jointly the amount in excess of the proportionate expense of operation should properly be included by both railroads in the joint-facility rent accounts in Income.

CASE 372.

Query. Railroad B uses Railroad A's tracks between two points, paying therefor a rent based upon valuation and also a proportion of maintenance and operating expenses based upon wheelage.

(a) A pays B a per cent of the value of A's tickets honored on B's trains.

(b) B pays A a per cent of cash fares on B's trains between the two points.

(c) B pays A full local rate on tickets sold by B honored on A's trains.

How should each road take the above items into its accounts?

Answer. The accounting should be as follows:

(a) B should credit full value of tickets to revenue account No. 2, "Passenger Revenue." The amount of this revenue less the amount paid by A to B should be charged by B to income account I 21, "Joint Facility Rent Deductions," and should be credited by A to income account I 8, "Joint Facility Rent Income."

(b) B should charge amount paid and A should credit amount received to joint-facility rent account in Income.

(c) A should credit and B should charge the full value of the tickets to revenue account No. 2, "Passenger Revenue."

CASE 373.

Query. Should a proportion of the expenses of the store and purchasing department pertaining to materials passed through the storehouse and used for additions and betterments work be charged to Additions and Betterments?

Answer. It should. (See Case 184.)

CASE 374.

Query. A carrier relaid 1 mile of its main line, replacing 35-pound rail with 60-pound rail, and has charged to property account the difference between the cost of the new 60-pound rails and proceeds from sale of the 35-pound rails taken up by charging under construction account "Rails," and crediting this account with the amount realized from the sale of rails taken up. Is this correct?

Answer. It is not correct. The increased weight is a betterment, and should be handled as outlined in additions and betterments account A 8, "Increased Weight of Rail." The amount to be charged to Additions and Betterments is the excess of the cost of the new rails over the cost of rails of the same weight as the old.

CASE 375.

Query. What accounts should be charged and credited with the cost of increased weight of rails laid on that part of a road used jointly under trackage rights by another road, the lessee paying a proportion of the cost of the improvement in addition to a proportion of the cost of maintenance and operation on a wheelage basis?

Answer. The cost of the increased weight of rail should be charged in accordance with the Classification of Expenditures for Additions and Betterments. If the tenant line pays a part of the cost of the improvement without acquiring any property interest therein, the amount so paid should be handled through Income as rent for joint facilities. (*See Case 531.*)

CASE 376.

Query. In what additions and betterments accounts should be included the cost of an overhead passage, not at a station, across a carrier's tracks, which is constructed for the benefit of an outside party, under an agreement for the acquisition of lands by the carrier?

Answer. It should be included in account A 17, "Elimination of Grade Crossings."

CASE 377.

Query. Referring to additions and betterments accounts A 13, "Sidings and Spur Tracks," and A 14, "Terminal Yards," do "terminal yards" include terminals for passenger trains as well as terminals for freight trains?

Do they include all junction points of branch lines as well as yards at junction points with other railroads, whether such junction points are the end of the division or are points between train terminals?

Should all unloading tracks, freight-house tracks, and other tracks for local business at terminals be included under "terminal yards" or under "sidings and spur tracks"?

Answer. Terminal yards, strictly speaking, are yards maintained for switching purposes at division terminals. Small yards at the junction of main and branch lines, or at the junction of other railways, may thus be terminal yards so far as the branch or junction line is concerned, provided the yard is at the terminus of the branch or junction line. Terminal yards are in a measure distinguished as a class by being not directly or wholly required by the local conditions of the traffic and by being used for the switching of through trains and of cars which do not originate at the point switched.

Sidings and spur track should include all freight-house tracks, team tracks, passing tracks, or tracks upon which freight is loaded or unloaded, such as tracks to elevators, industries, mines, or other places which are used for the direct receipt or delivery of freight.

CASE 378.

(Omitted.)

CASE 379.

Query. Is it permissible to charge Profit and Loss account during any year with a large item covering attorney's fees contracted two or three years previously?

Answer. An expense of this kind should be charged, if practicable, to the same account as it would have been charged if it had been paid promptly. Generally speaking, Operating Expenses and other accounts should be charged with current expenditures. It is recognized that some expenditures will lap over, but those included in one year are usually offset by those left over for the next. In case a bill is greatly delayed in payment and the amount is relatively large, so that its inclusion in the operating accounts would unduly burden such accounts, it should be charged to profit and loss account PL 14, "Delayed Income Debits."

CASE 380.

Query. To what account should be credited the amount received by a carrier for the surrender of an unexpired lease for offices occupied by it?

Answer. It should be credited to profit and loss account PL 4, "Miscellaneous Credits."

CASE 381.

Query. How should engine mileage be classed for service performed by a locomotive furnished by a carrier with crews and supplies, to individuals on a per diem basis, all the mileage being made on the carrier's line while in such service?

Answer. If the "individuals" are not common carriers reporting to the Commission, the mileage should be disregarded.

CASE 382.

Query. Owing to certain of a carrier's freight yards becoming congested it found it necessary to deliver cars at another point temporarily. Movements are made by special trains and distance involved is 1 to 3

miles. Should the movements be included with freight-train miles or considered switching or yard movements of which no wheelage report would be made other than for the locomotive?

Answer. Mileage should be considered merely as of switching or yard movements.

CASE 383.

Query. A lumber company's log train uses a carrier's line between its lumber camp and mill. The equipment is owned by the lumber company and is operated by its employees, although, while on the carrier's line, the trains are under orders of the carrier's dispatcher. The carrier receives revenue for this service on a mileage basis. Should this mileage be taken into its statistics; and if so, under what class of mileage should it be shown?

Answer. No mileage should be taken into the carrier's statistics, even though the trains are under the orders of its dispatcher.

CASE 384.

Query. May the distribution of the cost of fuel, stores, and other supplies for yard locomotives and for work-train service, made upon the basis of the mileage of yard and work locomotives, be deferred until the month following that in which the expense is incurred?

Answer. It should not be deferred. The distribution of each month's operating expenses should be based upon the operation for that month.

CASE 385.

Query. In what accounts should be included the cost of the initial installation of guard rails on main-line curves?

Answer. Upon a road in operation it should be charged to additions and betterments account A 10, "Track Fastenings and Appurtenances," and upon a road during the construction period to road and equipment accounts No. 10, "Track Fastenings and Other Material," and No. 12, "Track Laying and Surfacing."

CASE 386.

Query. To what account should be charged payments on account of damage in wreck or by accident to the clothing, jewelry, etc., worn by passengers?

Answer. Such payments should be charged to expense account No. 100, "Loss and Damage—Baggage," when separable. If not separable from personal injury payments, to account No. 103, "Injuries to Persons."

CASE 387.

Query. To what account should be charged commissions paid to ticket agents in lieu of salary?

Answer. They should be charged to the account to which the salary would be charged. (See Case 64.)

CASE 388.

(Omitted. Case covered by Case 500.)

CASE 389.

Query. To what account should be charged the expense of operating a launch used for inspection of bridges and to transport officials to and from various properties of a railroad company along the water front?

Answer. If the launch is used in connection with rail operations, the expenses are similar to the expenses of special cars for officials and should be charged in a similar manner.

CASE 390.

Query. In what account should be included demurrage charged on baggage cars held by theatrical parties at stations?

Answer. Such demurrage should be credited to revenue account No. 16, "Car Service."

CASE 391.

Query. Should cost of front-end paint applied to locomotives be charged to "Enginehouse Expenses"—yard or road, as the case may be—or to "Steam Locomotives—Repairs"?

Answer. It should be charged to "Enginehouse Expenses."

CASE 392.

Query. Owing to the opening under a bridge not being sufficiently large, lands upstream have been inundated and claims for damages have been made. To what account should the damage payments be charged?

Answer. They should be charged to expense account No. 101, "Damage to Property." (See Cases 38, 314, and 317.)

CASE 393.

Query. The contract with Railroad A, under which Railroad B uses its terminals, provides that A shall furnish sundry materials and supplies required for repairs of B's equipment in A's shops. A large portion of the material issued for this purpose is furnished from A's

storehouse. What accounts should be credited and charged by the respective companies?

What accounts should be credited and what accounts charged by the respective companies with the labor cost of repairs of B's equipment in A's shop?

There are certain general expenses in connection with the operation of these shops which can not be apportioned directly to the work done, and it is provided in the contract that such expenses shall be divided between the two companies on basis of the relative value of the work performed for the respective companies. Should the amount of such expenses be credited by A to "Maintaining Joint Equipment at Terminals" and charged to corresponding account by B? There is no direct charge to this account for repairs of equipment used in joint yard operations, as such repairs are taken care of in the rental charge.

Answer. The cost of repairing road equipment should be assessed directly against the road benefited, as it is not a joint-facility expense.

The text of clearing account "Shop Expenses," in the Classification of Operating Expenses, gives full directions for charging out undistributed expenses.

CASE 394.

Query. In various contracts between carriers for use of joint facilities, it is provided that certain percentages shall be added to material charges, and in some cases to labor charges. The amounts added to material charges are sometimes specified as storehouse expense, and in other cases it is probably to cover profit. The additions to labor charges are sometimes specified as covering superintendence and sometimes profit. These additions appear in various places throughout the bills rendered by the lessor company. To what account should the lessor company credit the amounts received from these sources, and to what account should they be debited by the lessee company.

Answer. The lessor should credit and the lessee should charge them to the appropriate joint-facility operating expense accounts. (See Case 246.)

CASE 395.

(Omitted. Case covered by Case 441.)

CASE 396.

Query. To what account should be charged payments for damages on account of injury to a horse through catching its heel calk in a crossing plank?

Answer. The payments for such damages should be charged to expense account No. 102, "Damage to Stock on Right of Way."

CASE 397.

Query. To what account should be charged rent of offices occupied by—

- (a) Advertising department?
- (b) Superintendent of telegraph?

Answer. Such rents should be charged as follows:

- (a) Account No. 55, "Advertising."
- (b) When the superintendent is engaged in maintenance and operation of telegraph lines the rent of his office should be divided equally between account No. 14, "Telegraph and Telephone Lines," and account No. 94, "Telegraph and Telephone—Operation."

CASE 398.

Query. In what account should be included a balance of which an agent is relieved on account of all evidence of offsetting claims having been destroyed by a fire which destroyed the general office and the agent's office?

Answer. It should be included in profit and loss account PL 15, "Miscellaneous Debits," in case it is not possible to apportion the balance to the proper accounts.

CASE 399.

Query. Railroad B's engine was damaged on account of defective condition of Railroad A's tracks. In what accounts should be included the cost of repairs of this engine, which is paid by A to B?

Answer. The cost should be charged by A to account No. 101, "Damage to Property," and should be credited by B to account No. 25, "Steam Locomotives—Repairs."

CASE 400.

Query. To what account should be charged a loss arising from the holding up of an electric-line conductor and the robbery of the collections by highwaymen?

Answer. The loss should be included in expense account No. 98, "Other Expenses" if classifications for steam lines are applicable. (See Case 342.)

CASE 401.

Query. To what account should be charged the payment of an arbitration committee's award to a suspended switchman of his regular wages during suspension?

Answer. Such payments should be charged to expense account No. 98, "Other Expenses."

CASE 402.

Query. To what account should be charged the pay of hostlers and hostler helpers while engaged in pulling down pockets of coal chutes, raking coal from them into engine tenders, trimming the coal on tenders, and moving small dump cars at certain chutes?

Answer. The pay of these employees while thus engaged should be charged to expense account No. 73, "Fuel for Yard Locomotives," or to No. 82, "Fuel for Road Locomotives," as the case may be.

CASE 403.

Query. To what account should be charged the expense of placing rail rests along the line? These are notched posts for the support of one or two lengths of rail to be used in emergency. The number of rests to be erected is not sufficient to warrant classing them as additions or betterments.

Answer. When chargeable to Operating Expenses the cost of such rests should be charged to account No. 6, "Roadway and Track."

CASE 404.

Query. How should the rent of an office building occupied by general officers, including superintendent of maintenance and structures, superintendent of motive power, vice president in charge of traffic, and superintendent of transportation, be charged?

Answer. The text of account No. 108, "General Office Supplies and Expenses," is intended to provide for charging to that account rent and repairs of general offices used by the general officers enumerated in account No. 106, "Salaries and Expenses of General Officers."

When the general offices of a carrier are occupied by officers other than general officers enumerated in the accounts under General Expenses, the expense should be apportioned to the expenses of the departments benefited. (*See Case 534.*)

CASE 405.

Query. Railroad B pays annually to Railroad A a nominal rent for the exclusive use of a few feet of track which connects B's track with a division of Railroad A. In what account should the payment be included?

Answer. If the payment is intended to cover only the rent of the track, it should be charged to income account I 22, "Miscellaneous Rent Deductions." (*See Case 289.*)

CASE 406.

Query.—To what account should be charged amounts paid as rents for driveways at stations?

Answer. They should be charged to income account I 22, "Miscellaneous Rent Deductions."

CASE 407.

Query. How should be treated rent paid by a carrier for land used for station grounds, yards, etc., and rents received by the carrier from merchants for use of a part of such land?

Answer. The rent paid should be charged to income account, I 22, "Miscellaneous Rent Deductions," and the rent received should be credited to income account I 9, "Miscellaneous Rent Income."

CASE 408.

Query. On account of Railroad A owning no equipment, Railroad B supplies the necessary equipment and maintains and operates A's road. B charges A the cost of maintenance and operation, with exception of the maintenance of equipment and the cost of engine and train service. B receives all revenues and pays A agreed proportions of the revenues upon through traffic only. What is the correct accounting?

Answer. All revenue and expenses incident to the operation of A's road should be included in B's accounts. All mileage statistics, including passenger, ton, train, car, locomotive miles, etc., should be included in B's records and reports. The difference between the proportion of the revenue due to A and the proportion of operating expenses payable by A to B constitutes A's compensation for the use of its road and should be charged by B to income account I 19, "Deductions for Lease of Other Roads."

In case the result is a loss to A, the amount of the deficit should be credited by B to account I 19, "Rent Deductions for Lease of Other Roads," and charged by A to account I 6, "Rent from Lease of Roads." B should include the cost of maintenance and operation in its primary operating expense accounts.

CASE 409.

Query. Railroad A operates one of its yards for the joint benefit of its own service and that of Railroad B and in a roundhouse located at this yard prepares B's road locomotives for service. A apportions the expenses of operating this roundhouse, upon basis of the number of engines handles, to the cost of its own road service, B's road service,

and the service of the joint yard; the joint-yard proportion being divided between the two railroads upon the basis used for division of other joint-yard expenses. How should these roundhouse expenses be treated in the accounts of the two companies?

Answer. A should charge the entire cost to its primary accounts for enginehouse expenses. The amounts charged to B should be credited by A and charged by B to the appropriate joint-facility accounts.

CASE 410.

Query. Railroad A cleans Railroad B's cars and supplies them with water, ice, coal, oil and waste for lubrication, and oil and gas for lighting, upon the basis of the actual cost of the labor and supplies. What is the proper accounting by both companies for these expenses?

Answer. A should distribute these expenses from its labor and material accounts directly against B. B should charge the amount of the expenses to the appropriate operating expense primary accounts, other than joint-facility accounts.

In case the cars are cleaned in a joint car-cleaning yard, the amounts charged to B for the cost of the cleaning should be included by both roads in the joint-facility expense accounts. (*See Case 535.*)

CASE 411.

Query. Railroad A operates one of its yards for the joint benefit of its own service and that of Railroad B. Each road furnishes its own coal, delivered in cars at this yard. The coal used by the locomotives at this point is handled through the coal bins owned by Railroad A, separate bins being provided for the coal used upon B's locomotives. The cost of operating this fuel station is apportioned by A between its own road service, B's road service, and the service of the joint yard, upon the basis of quantity of coal supplied. The proportion charged to the joint yard is divided between the two railroads upon the basis used for division of other joint-yard expenses. How should these fuel-station expenses be treated in the accounts of the two companies?

Answer. A should charge the entire cost of the operation of the fuel station to its primary accounts. The amounts charged to B should be credited by A and charged by B to the appropriate joint-facility accounts.

CASE 412.

Query. The contract between Railroad B and Railroad A under which B uses the terminals of A at Y provides for the furnishing, from A's storehouse of certain materials and supplies (including material

and supplies for locomotive and train use) for use in the operation of B's line south of Y. A's storehouse is not included in the schedule as a joint structure. How should the charges covering the materials and supplies be treated in the accounts?

Answer. They should be included by both railroads in the appropriate primary operating expense accounts, other than joint-facility accounts.

CASE 413.

Query. To what account should be charged the cost of repairs of commercial cars and locomotives temporarily assigned to maintenance-of-way service?

Answer. The cost of the repairs of the cars should be charged to expense account No. 34, "Freight-Train Cars—Repairs," and of the locomotives to expense account No. 25, "Steam Locomotives—Repairs." The cost of the application and the removal of any special appliances required to fit the cars or locomotives for the maintenance-of-way service should be charged to account No. 43, "Work Equipment—Repairs." (See Case 482.)

CASE 414.

Query. A carrier operates two freight houses at a terminal and furnishes all the facilities and labor for handling merchandise shipments for tenant lines. It charges them for this service a rate per ton. To what account should the amounts collected be credited?

Answer. The portion of the charges representing maintenance and operation should be credited to the appropriate joint-facility accounts in Operating Expenses; that portion representing payments for the use of capital and for taxes should be credited to income account I 8, "Joint Facility Rent Income." (See Case 268.)

CASE 415.

Query. The freight cars for equipping a railroad were purchased principally in X and were loaded out to Y with freight. Some of the cars were diverted and held off the line for several months.

What construction account should be credited with the receipts from the hire of these cars?

Answer. The question indicates that the equipment is intended for use on a road under construction and not opened for regular traffic. If so, it is proper to credit the receipts to road and equipment account No. 35, "Earnings and Operating Expenses during Construction." If the road has been regularly opened for traffic, the amounts should be credited to "Hire of Equipment" in Income.

CASE 416.

Query. How should payments to wharf companies for use of switch engines and switching crews, upon basis of hourly rates, be charged? The wharf companies furnish the switching facilities, but are not common carriers reporting to the Commission.

Answer. If the switching service is provided for in the through rate, the payment should be charged to revenue account No. 1, "Freight Revenue." If the carrier's revenue for the switching service is included in revenue account No. 9, "Switching Revenue," the payments should be charged to that account.

CASE 417.

Query. A carrier participates in the operation of a through dining-car line, the equipment of which is owned by another carrier. Should its proportion of loss be handled as follows: Operating expenses charged to "Outside Operations," and rents to "Hire of Equipment?"

Answer. The proportion of the revenues and expenses of a joint dining-car line, assigned to the participating company, should be credited and charged to the primary accounts under Outside Operations—"Dining and Special Car Service." The text of account No. 9, "Other Expenses," under Conducting Dining and Special Cars provides for hire of equipment.

CASE 418.

Query. There are five cars of company material moving in a revenue train. Should the mileage on these five cars be included in the total revenue car mileage, or classified under nonrevenue car mileage? The train-miles are, however, credited under freight-train mileage.

Answer. The mileage of all cars in revenue trains should be classified as revenue car-miles.

CASE 419.

Query. The following questions are submitted for rulings:

In the event that a company carries its own insurance for the protection of both employees and property, should the amount of any claims for damages—both to persons and to property covered by the insurance—be charged to "Insurance Fund?" In that case, would not this distribution conflict with the instructions given under the account "Injuries to Persons?"

In the event of the establishment of a hospital and medical fund (the purpose of which is to care for sick employees during the period of

their disability), should all expenses incident thereto, including the expenses of physicians and surgeons and the cost of medical and surgical supplies, be charged to this fund, or would this conflict with the distribution shown under account "Injuries to Persons?"

Answer. Roads are permitted to carry their own insurance, and neither in the case of destruction of property nor injuries to employees is the text construed as conflicting with this permission.

Account No. 111, "Relief Department Expenses" is designed to cover contributions to and expenses incurred in the management of funds created for the purposes mentioned. The "Injuries to Persons" accounts do not include payments for sick benefits. If, by reason of its contribution to the relief department fund, a carrier is relieved from further expense in case an employee is injured, no distribution of the expense under the "Injuries to Persons" accounts is required.

CASE 420.

Query. Since July 1, 1907, a number of a carrier's locomotives have been rebuilt, the expense fluctuating between \$1,000 and \$5,000 per locomotive. In the list of locomotives rebuilt a number were purchased as far back as 1874. Should the charges for such repairs be made to the equipment replacement account, taking into consideration that we have accrued depreciation on locomotives since July 1, 1907?

Answer. The accounting for the rebuilding of locomotives should be in accordance with paragraph 3 of additions and betterments account A 33, "Equipment."

The charges for depreciation on locomotives should be determined from consideration of the probable normal life of locomotives as prolonged by such repairs as described. (*See Cases 354 and 555.*)

CASE 421.

Query. In 1906 a carrier acquired and charged to Equipment account a box car costing \$640. This car was destroyed in 1910 upon a foreign line. The trucks were repaired and returned. The value of these trucks was \$175. The carrier rendered bill against the foreign line for \$344, this being the value, under Master Car Builders' Association rules, of the body of the car at time it was destroyed. It had charged \$60 to Operating Expenses and credited the same amount to "Reserve for Accrued Depreciation" to cover depreciation of the car from July 1, 1907, up to the date of its retirement. The depreciation accruing previous to July 1, 1907, amounted to \$20.

What entries are necessary for a proper accounting for the retirement of this car?

Answer. The text of additions and betterments account A 33, "Equipment," quite fully describes the proper accounting for equipment retired. The following statement of this particular case, in journal entry form, may prove an additional aid in determining the correct accounting:

"Reserve for Accrued Depreciation" (an amount equal to the amount previously credited thereto with respect to this car).....	\$60
Bills Collectible (amount charged foreign line).....	344
Materials and Supplies (value of trucks).....	175
Profit and Loss (depreciation to July 1, 1907).....	20
No. 35, "Freight-Train Cars—Renewals".....	41
A 33, "Equipment" (cost of car).....	\$640

CASE 422.

(Omitted.)

CASE 423.

Query. A carrier's equipment replacement account prior to July 1, 1907, contained a credit in excess of the requirements up to that time which had not been closed out at the end of the last fiscal year. The balance remaining is perhaps \$50,000, which will not be used because the full requirements of equipment had been provided for and, by reason of the reduction in the purchase price of new equipment, there will remain a credit to that account.

In going through its accounts since July 1, 1907, the carrier finds that it has large charges for car repairs that accrued prior to July 1, and it seems that such repairs do not properly form a part of the cost of operation of the current fiscal year. The carrier desires authority to take bills for car repairs that accrued prior to July 1 of that year and charge them to the equipment replacement account, in order to have the accounting accurate for the current year. Is this permissible?

Answer. The Classification of Operating Expenses provides that car repairs shall be charged to account No. 31, "Passenger-Train Cars—Repairs," and account No. 34, "Freight-Train Cars—Repairs." Expenses of this kind should, if practicable, be included in the accounts which would have been chargeable had the expenses been paid promptly. It is recognized that such expenditures will lap over, but those included in one year are usually offset by those left over for the next.

In case a bill is greatly delayed in payment, and is so large that its inclusion in the operating accounts would unduly burden such accounts,

it may be charged to profit and loss account PL 14, "Delayed Income Debits." (See Case 379.)

CASE 424.

Query. Some three or four years ago a man sustained a slight injury at one of a carrier's stations and the carrier has just paid a judgment as a result. May this judgment be charged to Profit and Loss account direct? If chargeable to "Injuries to Persons," may a suspense account be opened and a proportion be charged each month into next year?

A similar claim, where a building on the line was set on fire and burned by a spark from an engine of the carrier, was settled this month. May not this also be charged off to Profit and Loss?

Answer. See answers to Cases 379 and 423.

CASE 425.

Query. As contracts for new ties and new rails are usually placed at the beginning of the calendar year, for some time past it has been the custom of a carrier to distribute the estimated annual expenditures for such renewals in monthly installments through the calendar year and adjust the estimates to the actual expenditures at the close of the calendar year.

Under the classification prescribed by the Interstate Commerce Commission will it be necessary to make these adjustments at the close of the fiscal year in future, or will it be satisfactory to continue to make the adjustments at the close of the calendar year?

Answer. Adjustments should be made annually on the basis of materials applied. (See Case 32.)

CASE 426.

Query. As of July 1, 1907, a company assigned certain valuations to its floating and other equipment as a basis upon which to charge the monthly proportion of depreciation. The construction of additional lines of railway has so reduced the business of its water lines that it is necessary to reduce its floating equipment. The valuations assigned to such equipment were considered equitable on a going business, but the carrier has been unable at forced sale to realize such amounts. In accordance with case No. 172 in Accounting Bulletin No. 1, it took an inventory of equipment as of July 1, 1907. The amount of this inventory was set up on its books as "estimated value," not "cost." This

value has been depreciated monthly since that date by proper charges to Operating Expenses and credits to Replacement.

It is understood that the unexpired depreciation is chargeable to Renewals, but the carrier desires to distribute such charges on account of its floating equipment over a period, instead of charging the total out in the current month, in order not to materially affect comparisons.

Is it authorized to spread this loss over a period of 12 months?

Answer. The Commission does not deem it advisable at this time to authorize any departure from the prescribed classification, which provides that the entire residual value of equipment retired, less salvage, should be charged to the proper Renewals account in the month in which such retirement takes place. It is not considered that Case 172 modifies the text of the Renewals accounts, which states that such residual value (as well as the monthly charge for depreciation) should be based on "the original cost (estimated, if not known), record value, or purchase price" of equipment.

CASE 427.

Query. To what account should be charged the cost of building stock pens and putting in track scales when a railroad is under construction?

Answer. For a road under construction the cost of building stock pens at stations should be charged to account No. 18, "Station Buildings and Fixtures," and the cost of constructing track scales to account No. 31, "Miscellaneous Structures," in the Classification of Expenditures for Road and Equipment.

CASE 428.

Query. All corporations doing business in the State of Arkansas pay an annual franchise tax as required by Act No. 443 of the Acts of Arkansas of 1907.

Under the Classification of Expenditures for Road and Equipment as prescribed by the Interstate Commerce Commission are such payments a proper charge to "Other Expenditures" or to "Taxes"?

Answer. They should be charged to "Taxes."

CASE 429.

(Omitted.)

CASE 430.

Query. During the construction period a carrier disposed of some equipment which had been purchased secondhand and used in the construction work. Please advise how it should account for the

equipment thus purchased and sold, as well as for equipment retained for use in the operation of the road.

Answer. The cost of equipment purchased, except grading outfits, as provided in road and equipment account No. 4, "Grading," when acquired by a road under construction, should be charged to "Equipment." The expenses of repairs to such equipment during the construction period should be included in appropriate road and equipment accounts, as should also amounts representing a fair depreciation of the equipment during such period.

The depreciation accrued at date operations are begun, upon equipment (other than grading outfits) retained, being credited to road and equipment account "Equipment," the net amount in the equipment account with respect to such equipment would represent the record value for accounting purposes.

The original cost of equipment (other than grading outfits) sold during the construction period should be credited to account "Equipment." The accrued depreciation upon equipment sold should be closed into the same account.

CASE 431.

Query. A company's railway is in course of construction and it is required to make payments to the Board of State Harbor Commissioners for rent of tidelands on account of a franchise granted for the construction of wharves in ——— Bay. Work on the construction of the wharves has not yet been commenced.

To what account should these payments be charged?

Answer. Amounts paid to harbor commissioners for rent of the tidelands, on account of a franchise granted for the construction of wharves in connection with a line in course of construction, should be charged to road and equipment account No. 26, "Dock and Wharf Property."

CASE 432.

Query. On some land acquired by a carrier company, outside of its immediate needs, and carried under "Additions" and "Real Estate," there is some standing timber which it is selling on a stumpage basis. Should receipts from this be credited to "Outside Real Estate," in accordance with Case 140, or deducted from the cost of the property?

Answer. Amounts received from the sale of timber should be credited to the property account until the balance therein represents a fair value of the land without the timber. If the amount received is more than sufficient so to adjust the property account, the excess should be credited to income account I 18, "Miscellaneous Income."

CASE 433.

Query. A carrier has a power house furnishing current for propulsion of electric locomotives and cars, and also for heating, lighting, and other purposes in connection with the operation of a steam railroad. It is now proposed to sell current generated in the same power house to a local street railway company. To what account should be credited the revenue derived from the sale of power?

Answer. The operations of the power plant should be considered as outside operations, and the cost of the current used by the railroad should be cleared through outside operations account "Other Operations—Cr.," and the amounts so cleared should be distributed to the appropriate operating expense accounts.

The revenue derived from the sale of power to outside parties should be credited to the revenue account of the outside operation, the net revenue of which should be carried direct to Income Account as provided for under the Classification of Revenues and Expenses for Outside Operations—Electric Light and Power Plants. (*See Case 178.*)

CASE 434.

Query. A railroad company has rebalasted with stone a number of miles of road which had been poorly ballasted with gravel that had almost disappeared in the course of time although supplemented to some extent by cinder ballast. How should the cost be charged?

Answer. The excess cost of the stone ballast over the cost of replacing in kind the ballast formerly in the track is chargeable to additions and betterments account A 11, "Ballast." The cost of replacing in kind the ballast formerly in the track is chargeable to operating expense account No. 2, "Ballast."

CASE 435.

Query. To what account should be charged the cost of options upon lands for terminals and approaches of a bridge, the plans for construction of which were postponed?

Answer. The amount paid for options on property which it was proposed to use in the construction of terminal and bridge-approach improvements may be carried in a suspense account until the proper disposition has been finally determined. If, later, the proposed improvements are made, the amount so paid may be considered part of the cost of the property and charged to the proper account under Expenditures for Road and Equipment, or Expenditures for Additions and Betterments, as the case may be. If, on the other hand, the plan

is definitely abandoned, the expenditure may be closed out through Profit and Loss account. (*See Case 519.*)

CASE 436.

Query. Some of the operating officers of a railroad are employed a portion of the time upon a new line and terminal yards which the railroad is constructing. Should a part of the pay and expenses of these officers be charged to the new work? Should any portion of the pay and expenses of general officers be apportioned to such work?

Answer. The pay and expenses of general and operating officers who form a part of the regular organization of an operating railroad should only be charged to Road and Equipment or Additions and Betterments when such officers are for a definite period assigned to the new work.

The principle to be followed is indicated in paragraph 15 of the General Instructions in the Classification of Expenditures for Additions and Betterments.

CASE 437.

Query. It has recently developed that a railroad company did not have proper deeds to a certain portion of right of way. Although it had been using the land for a number of years, it has just been compelled to pay several hundred dollars to adjust the matter. This is a part of the old line, for which there is no construction account at this time.

To what account should the payment be charged?

Answer. Such payment should be charged to Road and Equipment. (*See Cases 583 and 590.*)

CASE 438.

Query. Has the Commission issued any instructions to accounting officers regarding the changing from the Classification of Expenditures for Road and Equipment to the Classifications for Operating Expenses and Operating Revenues?

The construction of a road was not completed when the autumn rains set in, but the road was in such condition that the carrier commenced running revenue trains over it in October and continued to operate on regular schedules up to the present time. This spring it has been necessary to refill and reditch because of caving banks and sliding fills. The roadbed, in many instances, is being reenforced by rock where dirt fills were made. The riprapping, ditching, and ballasting would have been done last autumn had the weather permitted. Because of this work, the carrier's expenses exceed its revenue and it desires permission to charge the cost to construction.

Answer. Case 115 contains a ruling regarding the point at which construction stops and operation begins.

The cost of restoring the road to its former condition—that is, the direct cost of repairing the damage due to washouts—should be charged to operating expenses; but the cost of additional riprapping, etc., should be distributed to cost of road through the additions and betterments accounts.

CASE 439.

Query. A lump-sum rate is charged theatrical parties for the use of baggage cars between stations on a line.

To what account should the amount received be credited?

Answer. It should be credited to revenue account No. 10, "Special Service Train Revenue," if the cars are handled in special trains; or to account No. 8, "Other Passenger-Train Revenue," if they are handled in regular trains, except when the lump-sum rate, properly considered, is an excess-baggage rate, in which event the credit should be to account No. 3, "Excess Baggage Revenue."

CASE 440.

Query. A charge of \$5 per car is made for switching baggage cars to connecting lines. Should the revenue be credited to revenue account No. 9, "Switching Revenue?"

Answer. It should.

CASE 441.

Query. Referring to Accounting Series Circular No. 14, Joint Facilities Accounts, to what account should freight charges over the line owning the tracks be credited when such charges are added to the cost of material?

To what account should percentage added to joint-track bills for superintendence and store expenses be credited?

Answer. Amounts included in joint-facility bills representing freight charges, superintendence, and store expenses should be credited by the operating company to Operating Expenses through the joint-facility accounts.

No charges should be made to the expense accounts of the operating carrier for such freight over its own line.

CASE 442.

Query. To what account should be credited fares collected from caretakers in charge of live stock, perishable freight, or private cars hauled as freight?

Answer. Such fares should be credited to revenue account No. 2, "Passenger Revenue."

CASE 443.

Query. In what expense account should be included the pay of men employed to prevent accidents due to rocks falling upon tracks? These men are generally known as "rock watchmen."

Answer. The pay of men thus employed should be included in expense account No. 6, "Roadway and Track."

CASE 444.

Query. In connection with Railroads B and C, Railroad A conducts a through dining-car service over the three railroads. B furnishes one dining car for this service and bills A for its rent. A furnishes two dining cars, pays all salaries and the cost of all supplies, and conducts the service.

The result of this service each month is a net loss, which is apportioned on the basis of mileage to the three roads. How should B and C account for their proportion of the loss?

Answer. See answer to case 417.

CASE 445.

Query. To what account should be charged the wages paid to trainmen, enginemen, and yardmen while attending investigations to determine the responsibility for train accidents?

Answer. Such wages should be included in expense account No. 61, "Superintendence."

CASE 446.

Query. Referring to Case 218, in which the decision is made that where cars entering terminals are switched for the benefit of a tenant company by the operating company, the switching of loaded cars should be charged to "Freight Revenue" and empty cars to "Other Expenses" under Transportation Expenses.

It appears that this is an injustice to freight earnings. It frequently occurs that merchandise cars arrive at terminal points light and are switched by the operating company, at the tenant's request, to the platform. The tenant pays for this service. In many cases the freight on the merchandise in the car will not aggregate the amount charged for the switching, and to charge "Freight Revenue" with this switching would result in making it a loss if all of the tenant's business moved into these terminals under these conditions.

The tenant inquires if this is not a proper charge to Operating Expenses, and if it should not be charged either to "Other Expenses" under Transportation Expenses or to "Operating Joint Yards and Terminals?"

Answer. Such distribution would be incorrect. The theory upon which the accounts of Operating Revenues prescribed by the Commission have been established is that the aggregate revenue of all carriers should represent total freight charges assessed against shippers on the basis of tariffs.

The switching of cars under the circumstances stated falls under the definition of "Switching Absorbed;" and it is therefore proper that the cost should be charged to account No. 1, "Freight Revenue."

CASE 447.

Query. To what account should be charged the wages of trackmen while engaged in unloading coal to be used for heating stations?

Answer. The wages of trackmen while thus engaged should be included in expense account No. 66, "Station Supplies and Expenses."

CASE 448.

Query. To what account should be charged amounts paid directors as fees for attending meetings?

Answer. Such payments should be charged to expense account No. 114, "Other Expenses."

CASE 449.

Query. Ballast cars, engaged in transporting granite dust to be used in paving around stations, buildings, etc., become leaky and the foreman in charge of the train purchases baled hay to be used in stopping the leaks.

To what should the cost of the hay be charged?

Answer. Such expenses should be considered as a part of the cost of the material transported, and charged to the appropriate accounts as determined by the purpose for which the material is used.

CASE 450.

Query. A bridge was damaged by a wreck. Although it was possible to repair the bridge where it stood, the railroad management considered it economy to remove the bridge to the shops for repairs.

Pending the repairs, a temporary pile structure was installed. To what account should the cost of the temporary bridge be charged?

Answer. It should be charged to expense account No. 9, "Bridges, Trestles, and Culverts."

CASE 451.

(Omitted.)

CASE 452.

Query. How should be classed the train-miles and car-miles of a train consisting of a combined passenger and baggage car in which passengers and small quantities of freight are transported?

Answer. The train-miles should be classed as "Passenger Train-Miles" and the car-miles as "Passenger Car-Miles."

CASE 453.

Query. To what account should be charged the loss of station funds by burglary when not covered by burglary insurance?

Answer. Such loss should be charged to expense account No. 98, "Other Expenses." (See Case 342.)

CASE 454.

Query. To what account should be charged the cost of printing coupon and local tickets and baggage checks?

Answer. It should be charged to account No. 97, "Stationery and Printing." (See Case 341.)

CASE 455.

Query. A railroad's connections charge it an additional tariff rate per ton when coal consigned to docks is taken for boat fuel, to cover the charge for machine unloading from cars to boats. To what account should these items be charged when paid to connections, and credited when collected from shipper?

Answer. The amount may be handled through a clearing account, as freight revenue is not affected by such transactions.

CASE 456.

Query. On account of owning no cars a carrier pays per diem to a connecting line for all cars used. In what account should it include—

(a) The amount paid in settlement for a freight car destroyed in a wreck?

(b) The wages of carpenters and others while employed in collecting the salvage in direct connection with the wreck?

(c) The value of the salvage from the car?

Answer. The fact that the carrier owns no cars has no bearing on the question. The items enumerated should be charged as follows:

(a) Should be charged to account No. 34, "Freight-Train Cars—Repairs."

(b) Should be charged to account No. 93, "Clearing Wrecks."

(c) Should be credited to account No. 34, "Freight-Train Cars—Repairs."

CASE 457.

Query. When and into what account should unclaimed wages be closed?

Answer. Unclaimed wages accruing previously to the current fiscal year may be credited to profit and loss account PL 4, "Miscellaneous Credits."

CASE 458.

Query. To what account should be charged the wages of a train crew running special train for the purpose of hauling water to be used by locomotives in train service? The expense was caused by the water supply being exhausted at one of the water stations.

Answer. They should be charged to expense account No. 74, "Water for Yard Locomotives," or account No. 83, "Water for Road Locomotives," according to the use to be made of the water.

CASE 459.

Query. To what account should be charged amounts paid for water at section houses?

Answer. They should be charged to expense account No. 18, "Roadway Tools and Supplies." Payments for permanent water rights should be charged to account No. 16, "Buildings, Fixtures, and Grounds."

CASE 460.

Query. To what account should be charged the amount paid for a small strip of land alongside right of way, purchased in order that dirt might be procured to replace a grade washed away by a flood?

Answer. The difference between the amount paid for the land and its value after the dirt has been removed should be charged to operating expense account No. 6, "Roadway and Track." The value of the land after the dirt has been removed should be charged to additions and betterments account A 2, "Real Estate," or to balance sheet account B 6, "Miscellaneous Investments," as may be appropriate.

CASE 461.

Query. What account should be charged for switching where there is no freight movement, as in the case where A switches an empty car for B to be loaded with stock, and the car is not loaded, but returned empty and B pays two switching charges without a freight movement?

Answer. Switching charges on empty cars, when not in connection with loaded movements, should be charged to account No. 98, "Other Expenses." (See Case 218.)

CASE 462.

Query. Railroad A is a consolidation of Railroad B and Railroad C. Are the amounts to the credit of the several replacement accounts of B available for new equipment to be acquired by A, all assets and liabilities of B having been assumed by A?

Answer. They are not available for such purposes. All newly acquired equipment should be charged by A to additions and betterments account A 33, "Equipment."

CASE 463.

Query. A railroad company's road is under construction. The railroad bought a shipment of bolts and paid freight and marine insurance to a point on the coast. The bolts remain in store account until they are withdrawn and charged to various road and equipment accounts. To what account should the marine insurance be charged?

Answer. It should be considered as part of the cost of the material and charged accordingly.

CASE 464.

(Omitted. Case covered by Case 508.)

CASE 465.

Query. A carrier placed in service on its line July 1, 1908, a gasoline motor car composed of a gasoline engine and passenger coach in one. How should this car be classified for the purpose of depreciation?

Answer. The gasoline motor coach described should, for the purpose of depreciation charges, be classified as Passenger Equipment. (See Case 73.)

CASE 466.

(Omitted.)

CASE 467.

Query. In a part of the country where railroads are not ballasted with gravel, crushed stone, etc., but the track is held in place by throwing dirt to the center of the track and forming it into a crown over the

middle of the ties, to facilitate its work, a railroad has distributed several hundred carloads of earth along its track where the earth in the roadbed is not suitable for surfacing. Is the expense of loading and distributing this earth a proper charge to road and equipment account No. 11, "Ballast," or to account No. 12, "Track Laying and Surfacing"?

Answer. Material applied as described in the query is not understood to be "ballast" and the cost of such material used by a road under construction should be charged to road and equipment account No. 12, "Track Laying and Surfacing." The cost of material thus applied by a road in operation should be charged to expense account No. 6, "Roadway and Track."

CASE 468.

Query. To what account should be charged the pay of switch tenders and signal tenders who operate switches and signals in large freight and passenger yards? These switches and signals are used primarily in making up and distributing trains, although from time to time they are used in connection with main line train movements.

Answer. Where the primary purpose of such signals and switches is the signaling and handling of trains in yard movements, the pay of employees operating them should be charged to account No. 69, "Yard Switch and Signal Tenders."

CASE 469.

Query. Is it proper to charge revenue account No. 1, "Freight Revenue," with overcharges refunded through claim channels which can not be collected from the carrier making the overcharge on account of being less than the voucher minimum of \$1. established by Freight Claim Association Rules?

Answer. It is.

CASE 470.

Query. A railroad company owns a tug which is treated as an outside operation. In towing a steamer the tug damaged it. The damage is borne by the railroad company. To what account should the damage be charged?

Answer. The damage should be charged to general account II, Running Expenses, under Outside Operations—Miscellaneous, unless the tug is operated in connection with some other outside operation for which a specific classification is provided.

CASE 471.

Query. Railroad B is responsible for the damage done by one of its locomotives to Railroad A's interlocking plant. This plant is a joint

facility of the two railroads. In what account should B include the expense of repairs?

Answer. The expense of such repairs should be included in expense account No. 101, "Damage to Property."

CASE 472.

Query. Account No. 63, "Station Employees," includes "Payments to elevator companies for transferring grain en route," while the decision in Case 219 would seem to require such charges to be proper deductions from "Freight Revenue." Kindly explain the apparent conflict.

Answer. Account No. 63, "Station Employees," includes "Payments to elevator companies for transferring grain en route," and Case 219 directs that a payment for elevation and storage provided for in the rate shall be charged to account No. 1, "Freight Revenue." In the first instance, the charge is an expense to the railroad company for transferring due to crippled cars, heated grain, or other unforeseen causes. In the second instance, it is a division of the rate for a service performed for the shipper and specifically mentioned in the tariff.

CASE 473.

Query. In what account should be included per diem charges for retaining cars of connecting lines longer than the allotted time?

Answer. Such charges should be included in income account, "Hire of Equipment."

CASE 474.

Query. In the purchase of new construction material or equipment, as for example, a locomotive, a note is given in payment. At its maturity interest is paid, a payment is made on account of principal, and a new note bearing interest is given for the remainder. To what account should be charged the interest on the renewal or successive renewals?

Answer. The interest during the period before a road is opened for operation should be charged to road and equipment account No. 47, "Interest and Commissions." After a road is opened for operation the interest should be included in income account I 26, "Interest Deductions for Funded Debt," or I 27, "Interest Deductions for Unfunded Debt," as may be appropriate.

CASE 475.

Query. To what account should be charged the cost of picking up and carting away the garbage, refuse, etc., dumped along the team tracks at stations when cleaning cars?

Answer. It should be included in expense account No. 6, "Roadway and Track." (See Case 41.)

CASE 476.

Query. Is it intended that commercial rates or only the actual cost for transporting material for construction and maintenance work over a carrier's own line should be charged?

Answer. It is intended that only freight charges paid to foreign lines shall be included in the cost of material used in maintenance work. In the cost of material used in additions and betterments work or in construction work shall be included foreign freight charges, and the actual cost (fairly estimated) of transporting the material over the carrier's own line may also be included. The carrier's charges for transportation should be credited to appropriate expense accounts.

CASE 477.

Query. A terminal company furnishes car inspectors for the various lines operating into its terminal and apportions the expense of inspection among the lines on the basis of the number of cars inspected for each line. To what account should the amounts paid by the lines to the terminal company be credited?

Answer. Such amounts should be included in expense account No. 34, "Freight-Train Cars—Repairs," or in account No. 31, "Passenger-Train Cars—Repairs," as the case may be. The same accounts should be charged by debtor lines. (See Case 56.)

CASE 478.

Query. To what account should be charged the pay of timekeepers engaged in construction work, and the cost of tents, bunks, and materials used by them?

Answer. Such expenditures should be distributed to the cost of the specific work to which the timekeepers are assigned.

CASE 479.

(Omitted.)

CASE 480.

Query. To what primary account under Additions and Betterments should be charged the cost of ditching machines used in general roadway work? These machines are not on their own wheels in the sense that they move along the tracks, but they are set up on a cut of cars and move from one end of such cut to the other as circumstances require.

Answer. See Case 500.

CASE 481.

Query. In order that passenger coaches may be supplied with gas at a point where there is no gas plant, a carrier has placed on one of its flat cars two iron tanks for the transportation of gas from its gas plant. The expense of making changes in the car for the reception of the tanks was relatively small. To what account should be charged the cost of changing the car, as well as all subsequent repairs?

Answer. The cost of changing the car and of subsequent repairs should be charged to account No. 43, "Work Equipment—Repairs," provided the cars thus equipped are to be retained permanently in this service. Proper consideration should be taken in the accounts of the change in class of equipment as provided in Note B under additions and betterments account A 33, "Equipment."

CASE 482.

Query. Please advise the proper disposition of the cost of repairing cars as follows:

(a) Commercial cars while temporarily used in connection with work chargeable to Maintenance of Way and Structures.

(b) Work equipment when used in commercial service.

Answer. (a) The cost of any special equipment applied to commercial cars, when temporarily placed in work service, as well as the cost of removing such special equipment, should be charged to account No. 43, "Work Equipment—Repairs"; the remainder of the repairs to these cars while in such service should be charged to account No. 34, "Freight-Train Cars—Repairs."

(b) When work equipment is used only incidentally in commercial service, the cost of repairs should be charged to account No. 43, "Work Equipment—Repairs." When ballast, dump, tank, and water cars are engaged for the greater part of the time in commercial service, they should be considered as freight-train equipment. If used chiefly in work service and only incidentally in commercial service, they should be considered as work equipment. (See Case 413.)

CASE 483.

Query. A railroad has arranged to ballast with rock 102 miles of its track on which no ballast has been put heretofore. It has assigned to this work, which will take several months, 2 locomotives and 60 flat cars. How should be charged repairs to this equipment, made necessary on account of the work?

Answer. In case the cost of the repairs on account of the additions and betterments work can be positively determined, this cost may be included in the cost of such work. Otherwise the cost of the repairs of equipment may be charged to the appropriate equipment repairs account and a fair rent for the use of the equipment, including the maintenance thereof, may be included in the cost of the additions and betterments work and concurrently credited to "Hire of Equipment" in Income. (*See Case 235.*)

CASE 484.

Query. The following provision is under each of the accounts "Superintendence" in the Classification of Operating Expenses: "When officers and others above enumerated have supervision over other departments also, their salaries and expenses should be apportioned equally between the departments over which they have jurisdiction."

Should this rule be applied to both large and small roads in the distribution of salaries and expenses of general or division superintendents?

Answer. It is proper to divide the salaries and expenses of general and division superintendents equally among the superintendence accounts of the departments over which they have jurisdiction. The text is applicable to large as well as small roads. (*See Case 330.*)

CASE 485.

(Omitted.)

CASE 486.

(Omitted. Case now covered by the classifications.)

CASE 487.

Query. A carrier has been crediting to Outside Operations, "Coal and Ore Docks," on account of the operation of its docks at X, the amounts received for unloading ore from boats to docks, loading ore from dock to cars, and unloading coal from docks to boats. Against this revenue it has charged the expenses of operating the docks. The ore and coal so handled moves over the line of the carrier.

It is understood from the Introductory Letter to the Classification of Revenues and Expenses for Outside Operations that coal and ore docks should not be considered as Outside Operations. Is this correct?

Answer. The docks proper should be considered a facility necessary for handling coal and ore traffic, and the operations should, therefore, be handled through the rail accounts.

The operations of loading, unloading, storing, and trimming, if any, are outside operations, but if the amounts involved are insufficient to affect the statistics of rail operations, the revenues of those operations may be credited to appropriate rail operating revenue accounts and the expenses charged to operating expense account No. 65, "Coal and Ore Docks."

If kept as an outside operation, it should be reported under the caption provided therefor in the Classification of Revenues and Expenses for Outside Operations under the head of "Miscellaneous."

CASE 488.

Query. Two houses on land adjoining a track are occupied by employees, rent free. Is it proper to credit an amount representing a fair rent for the houses to revenue account No. 18, "Rents of Buildings and Other Property," and debit the repairs to expense account No. 16, "Buildings, Fixtures, and Grounds"?

Answer. It is not intended that amounts which do not represent revenue actually earned should be credited to the revenue accounts; neither is it intended that amounts which do not represent actual expenses should be charged to the expense accounts. No credit should be made to the revenue accounts for rent of houses occupied by employees, rent free. The cost of maintaining the houses is a proper charge to expense account No. 16, "Buildings, Fixtures, and Grounds."

CASE 489.

Query. How should a ferry for passenger and freight trains operated as a continuation of a rail line be treated in accounting?

Answer. The operation described is that of a car ferry used in lieu of a bridge. The expenses of operating should be charged to account No. 95, "Operating Floating Equipment."

CASE 490.

Query. Should the operations of electric plants which furnish lights for railroad properties only, such as joint yards and depots, be treated under outside operation accounts?

Answer. Such treatment would be incorrect; it is intended that the outside operation accounts should be used only when current from the plants is sold to other parties.

CASE 491.

Query. Should the distribution of extraordinary expenses for injuries to persons and damage to property, the result of casualties in joint yards,

be made through the joint-facility accounts or through the other primary accounts?

Answer. All expenses incurred in the operation of joint yards, tracks, terminals, or other facilities, in which the parties to the contracts for such operation jointly participate, should be handled through the appropriate joint-facilities accounts. This includes expenses incurred on account of casualties resulting in injuries to persons, destruction or damage to property, etc.

The carrier paying the expenses should distribute the total to its primary accounts. The proportion chargeable to other companies should be handled through the appropriate joint-facilities accounts. (*See Case 364.*)

CASE 492.

Query. A carrier company furnishes joint passenger facilities to five tenant lines, the expense of operation being charged to them on a wheelage basis. It owns 2.45 miles of tracks and the depot building, but does not own or operate any switch engines, the tenant companies handling their trains over the lessor's tracks with their own crews. In what account should the lessor's transportation expenses be included?

Answer. If the tracks maintained by the carrier company and operated over by the tenant lines are a part of its union station facilities, the proportion of transportation expenses charged out by the lessor to tenant lines should be credited to account No. 78, "Operating Joint Yards and Terminals—Cr." If any portion of these are properly classifiable as road tracks, the credits with respect to the operating expenses of such tracks should be included in account No. 105, "Operating Joint Tracks and Facilities—Cr."

CASE 493.

Query. To what account should bills rendered against other companies for their proportion of wages of crossing flagmen where there are no towers or gates be distributed.

Answer. If the crossing flagmen are employed at road crossings where the tracks of two or more companies are parallel and there are no tracks used jointly, the proportion billed other companies should be credited by the billing road to expense account No. 91, "Crossing Flagmen and Gatemen," and taken up in same account by the paying road. If, on the contrary, the flagmen are located at street or road crossings in joint yards, such bills should be included in the "Operating

Joint Yards and Terminals" accounts, and if on joint tracks outside of yards, in "Operating Joint Tracks and Facilities" accounts. (*See Case 193.*)

CASE 494.

Query. A company has arranged to repair in its shops regularly each month certain cars for other companies. A bill is prepared monthly against the other roads for rent of these shops based upon the following: Depreciation, taxes, supervision, accounting, and interest on valuation of buildings. This bill is entirely separate and distinct from the bill rendered for the repairs to the cars, and the question arises as to the distribution of the bill and corresponding vouchers made by other companies in payment of the rent.

Answer. It appearing that no rights of tenancy are obtained through the payment of these additional charges, the amount should be credited by the company owning the shops and making the repairs to operating expenses through the medium of clearing account "Shop Expenses." The debtor companies should include the additional charges in their appropriate car-repair operating expense accounts. If, however, the bills of the owning company are sufficiently large to unduly affect its rail-operations accounts, the shop should be considered an outside operation.

CASE 495.

Query. A portion of Railroad A's tracks is operated jointly by A and Railroad B (electric). A maintains the tracks. In what account should A include the trackage payments received from B?

Answer. The payments should be apportioned by A to the appropriate joint-facility operating expense and income accounts.

In case the facilities used jointly are of minor importance or the use of important facilities is limited, the rent payment may be included in revenue account No. 18 "Rents of Buildings and Other Property."

CASE 496.

Query. Railroad B pays a certain rate-per-ton for the joint use of Railroad A's tracks. Should that portion of the payments from B which fairly represents rent be included in revenue account No. 21, "Joint Facilities Revenue—Cr.," or in Income?

Answer. Such portion should be included in income account I 8, "Joint Facility Rent Income."

CASE 497.

(Omitted.)

CASE 498.

(Omitted.)

CASE 499.

Query. In what accounts should be included the following items:

(a) The cost of a new ore and coal bunker (not a replacement) used for transferring ore and coal between narrow and standard gage lines?

(b) The cost to a carrier of raising the level of a mining company's shaft house and ore bins, incident to the relocation of the carrier's tracks?

(c) The cost of the license for a stationary engineer at shops?

Answer. These items should be charged as follows:

(a) Additions and betterments account A 21, "Station Buildings and Fixtures."

(b) Additions and betterments account A 5, "Grade Reductions and Changes of Line," and road and equipment account No. 4, "Grading."

(c) "Shop Expenses."

CASE 500.

Query. 1. To what primary accounts should be charged the cost of new concrete mixers, ditching machines, and donkey engines? These machines are for use in maintenance of way and structures work.

2. Is the cost of hand cars, speeders, and velocipedes, supplied for use during construction of a railroad, a proper charge to road and equipment account No. 13, "Roadway Tools," under the Classification of Expenditures for Road and Equipment?

Answer. 1. The cost of such machines, when permanently mounted for movement upon a carrier's tracks, should be included in additions and betterments and road and equipment accounts "Equipment." When not so mounted, if for equipment of a new road, the cost should be included in road and equipment account No. 13, "Roadway Tools"; if for initial equipment of a road in operation, it should be included in additions and betterments account A 22, "Roadway Machinery and Tools"; and if for replacement of similar equipment upon an operating road, it should be included in operating expense account No. 18, "Roadway Tools and Supplies," subject to the provisions for replacement in kind contained in the Classification of Expenditures for Additions and Betterments. Repairs and depreciation upon such equipment during the construction period of a railroad should be charged to the work benefited in the use of the equipment. (See Case 318.)

2. See answer to Case 600.

CASE 501.

Query. To what account should be charged the cost of temporary water stations established for use during construction, which will be abandoned on completion of the road?

Answer. The cost of such water stations should be included in the cost of the work benefited. The cost of water stations which are permanent and intended to be used in the operations of the road should be included in road and equipment account No. 22, "Water Stations."

CASE 502.

Query. Railroad B runs its trains for a distance over Railroad A's tracks, paying a fixed rent per year for the privilege. These trains are operated by B's crews. Which road should report the train-miles of B's trains while on A's tracks?

Answer. B should include in its statistics the train-miles, car-miles, etc., for its trains on A's tracks.

CASE 503.

Query. To what account should be charged the discount on debenture bonds of a carrier company, the proceeds of which are to be used for the general purposes of the company?

Answer. It should be charged to balance sheet account B 20, "Unextinguished Discount on Securities." (See Cases 101, 504, and 505.)

CASE 504.

Query. How should the discount on bonds sold be extinguished?

Answer. The discount should be disposed of in accordance with the text of the general balance sheet account B 20, "Unextinguished Discount on Securities," which provides that the discount may be charged to income account I 28, "Amortization of Discount on Funded Debt," in equal annual installments during the life of the bonds, or, at the option of the carrier, the discount or any part of it remaining unextinguished at any time may be charged to profit and loss account PL 11, "Debt Discount Extinguished through Surplus." The charges to Income in any one year should not exceed the amount of the annual installment applicable to that period.

CASE 505.

Query. Please see Case 19 and note therein the answer: If the discount on bonds sold for the construction of a new road or for additions and betterments is chargeable to account B 20, "Unextinguished

Discount on Securities," does this not conflict with account No. 47, "Interest and Commissions," in the Classification of Expenditures for Road and Equipment?

Answer. Account No. 47, "Interest and Commissions," in the classification of Expenditures for Road and Equipment, does not embrace discounts.

CASE 506.

Query. Should the cost of material and labor necessary for the construction of a temporary trestle, to be filled in later, be charged to account No. 4, "Grading," or to account No. 6, "Bridges, Trestles, and Culverts?" To what account should be charged the cost of maintaining 15 miles of track used for transporting material to fill in the trestle, and after it has been thoroughly surfaced used to transport bridge material?

Answer. The cost of temporary trestling used in making fills on roads under construction should be charged to road and equipment account No. 4, "Grading." The cost of maintaining track solely for the transportation of earth used in fills should be charged to the same account, as should also the cost of operating the work trains handling the earth. The cost of maintaining track used exclusively for the transportation of materials for the construction of a bridge should be charged to account No. 6, "Bridges, Trestles, and Culverts." If the track be used for the transportation of materials for both the construction of fills and the erection of bridges at the same time, and maintenance charges are incurred solely on account of such transportation, the cost thereof should be apportioned between accounts No. 4 and No. 6 in the ratio of the benefits derived by each from such transportation.

CASE 507.

Query. Is not the ruling in Case 372 in conflict with the new revenue accounts Nos. 20 and 21? The text of these accounts speaks of revenue derived from operation of joint tracks. Very naturally this is construed to mean revenues derived from passengers or freight transported, as no revenue can come from the track itself.

Answer. Accounts Nos. 20 and 21 are intended to take care of such joint revenues from the operation of joint facilities as may, under existing contracts, be apportioned to the tenant companies. Primarily, their use is to take care of revenue from rent of rooms in union stations and like facilities. They do not, as enlarged in the supplement, supersede the provisions of the Classification of Operating Revenues as set forth in Note C, under account No. 2, "Passenger Revenue." In Case

372, interpreting this note, it is assumed that the lessee's payment of part of the operating expenses and a flat rent is to enable it to do a through business by the use of the lessor's facilities. If, for the convenience of local patrons, the lessee is permitted to handle local business, any payment of part of the revenue from such traffic is in recognition of the superior rights of the lessor. As the operating expenses are borne proportionately, it is manifestly improper to charge these payments to operating expenses. The only alternative seems to be to treat such payments as additional rent.

CASE 508.

Query. To what accounts should be charged the cost of the following:

- (a) Small motor car for use of our general manager?
- (b) Velocipede cars for use of station agents, to enable them to attend to switch lights?
- (c) Velocipede cars and motor cars for use of superintendents and roadmasters for inspection of track?

Answer. When acquired for equipment of a new road the cost should be included in road and equipment account No. 13, "Roadway Tools." When acquired for a road in operation, if initial equipment, the cost should be included in additions and betterments account A 22, "Roadway Machinery and Tools"; and if for replacement of similar equipment should be included in operating expense account No. 18, "Roadway Tools and Supplies," subject to the limitations of the provisions for replacement in kind contained in the Classification of Expenditures for Additions and Betterments.

Repairs and depreciation of such equipment during the construction period of a railroad should be charged to the work benefited in the use of the equipment.

CASE 509.

(Answer not finally approved. See Accounting Series Circular No. 12e.)

(Omitted.)

CASE 510.

CASE 511.

Query. To what account should a carrier charge the cost of extra drayage at destination caused by an error in routing of an interline shipment by the carrier's agent?

Answer. Such expenses should be charged to expense account No. 98, "Other Expenses."

CASE 512.

Query. In what account should a carrier include an overcharge on a connecting line, caused by the carrier's agent misrouting an interline shipment?

Answer. Such overcharge should be included in expense account No. 98, "Other Expenses."

CASE 513.

Query. To what account should a railroad credit rent received from a telephone company for joint use of its trolley poles?

Answer. Such rent should be included in revenue account No. 18, "Rents of Buildings and Other Property."

CASE 514.

Query. To what accounts shall a carrier credit value of scrap and charge the cost of loading same for sale? This scrap has been scattered along the road for years, and it is now impossible to say to what equipment or structures it originally belonged. It has never been carried in any material account. It has recently been gathered up and sold.

Answer. The receipts from sale of this scrap, less the cost of handling it, should be credited to material accounts and cleared from these accounts to Operating Expenses, in recognition of the fact that such credits to Operating Expenses will to a degree lap over, but those included in one year are usually offset by those left over for the next.

In case the amounts of such credits are relatively large and their inclusion in the operating accounts for a year will unduly relieve such accounts, they may be credited to profit and loss account PL 3, "Delayed Income Credits." The cost of picking up the scrap from right of way should be charged to expense account No. 6, "Roadway and Track," as provided in the text of that account.

CASE 515.

Query. Some time ago a carrier purchased some equipment under the car-trust plan. The purchase price plus the full amount of the interest for the period of the lien was covered by a series of equipment-trust notes of equal denomination. It was the desire and intention, upon liquidation of the last note and taking of title to the equipment, to charge to Additions and Betterments the full amount of the notes representing the equipment trust—that is, the purchase price plus the interest, which would be the total cost of the equipment to us.

Is this permissible?

Answer. The purchase price of the equipment which is included in the notes should be charged by a road in operation to additions and betterments account A 33, "Equipment." The interest on such purchase price included in the notes should be charged as accrued to income account I 26, "Interest Deductions for Funded Debt." (See Case 354.)

CASE 516.

Query. To what account should be charged the pay and expenses of a car accountant whose duties are to take record of the movements of equipment and secure accounting therefor, and to account to other lines for use of their equipment?

Answer. If the car accountant is a subordinate officer in the transportation department, his pay and expenses should be charged to account No. 61, "Superintendence." If he is a subordinate officer in the accounting department, they should be charged to account No. 106, "Salaries and Expenses of General Officers." If he is a clerk in the accounting department, they should be charged to account No. 107, "Salaries and Expenses of Clerks and Attendants."

CASE 517.

Query. A company owns a wharf at which boats are docked and freight transferred between the cars and ship side. It has a contract with a wharf and warehouse company for transferring the freight at a stated amount per ton. To what account should this expense be charged?

Answer. Assuming that the rates, or division of rates, received by a company apply to and from ship side, the expense of transferring freight should be charged to expense account No. 63, "Station Employees."

CASE 518.

Query. A company moved into new quarters and equipped the offices with new furniture and fixtures. To what account should it charge the cost of the furniture and fixtures?

Answer. The cost of furniture and fixtures which remain the property of the company, for the equipment of newly rented offices, should be charged to additions and betterments account A 35, "Other Additions and Betterments," subject to the limitations prescribed in the Classification of Expenditures for Additions and Betterments.

CASE 519.

Query. If a railway has some of its engineers engaged in the inspection of the construction of a line of railway which it expects to purchase on

completion, and wishes the work inspected during its progress, to what accounts should their pay and expenses be distributed?

Answer. The salaries and expenses of persons so engaged should be charged to a suspense account until such time as it can be determined where these expenditures belong. In case the road is purchased, these expenditures should be included in road and equipment account No. 36, "Cost of Road Purchased." If for any reason the road is not purchased, the expenditures are properly chargeable to Profit and Loss. (See Case 435.)

CASE 520.

Query. At various terminals on a section of Railroad A's line, which is jointly operated with Railroad B, switching engines are furnished by B. How should the rent of these engines, which covers the cost of repairs, be included in A's accounts?

Answer. The entire rent should be charged to income account "Hire of Equipment."

CASE 521.

Query. In case a locomotive is turned on a γ , and the service does not require any enginehouse men, should not the amount paid or received for such service be treated as for temporary use of track?

Answer. The payment for an occasional turning of a locomotive on a γ should be charged to expense account No. 89, "Train Supplies and Expenses," and credited to revenue account No. 19, "Miscellaneous." (See Case 74.)

CASE 522.

Query. Railroad A loans an engine and three coaches to Railroad B for excursion service, and charges B for trackage and wages of employees delivering the equipment. How should these charges be treated?

Answer. Such charges should be included by B in income account, "Hire of Equipment." If the delivery services were within a switching district, A should credit revenue account No. 9, "Switching Revenue"; if otherwise, the credit should be to account No. 11, "Miscellaneous Transportation Revenue."

CASE 523.

Query. A company builds a spur track to serve an industry and charges the total cost to Additions and Betterments. After the work is completed, the industry pays the carrier an amount to cover cost of labor in laying the track. The title to the entire spur is retained by the carrier. To what account should it credit the amount received by it?

Answer. The amount received should be credited to Additions and Betterments. If, however, such payment by the industry was contemplated in the agreement for construction of the spur, that amount should have been charged originally to a suspense account, to which account the amount received should be credited.

CASE 524.

Query. The installation of additional interlocking plants was contemplated, and the material was purchased and unloaded at the site of the work, and partially erected. Subsequently the plans were changed, the work abandoned indefinitely, and the material taken down and put into stock.

1. To what account should the cost of the material and the labor of handling and erecting be charged?

2. To what account should the labor of dismantling and getting the material back into stock be charged?

Answer. The total cost, less salvage, should be charged to profit and loss account PL 15, "Miscellaneous Debits." (See Cases 435 and 519.)

CASE 525.

Query. A carrier has established an insurance fund by making appropriations from Income from time to time, and investing the amount in interest-bearing securities. The fund is now so large that the interest received will take care of all losses and premiums that accrue on insurance carried by the company.

In such case is it permissible not to charge Operating Expenses with any premiums for insurance carried? In other words, the interest in the Insurance Fund being sufficient to take care of all premiums and losses to property insured by the carrier. Operating Expenses would not be chargeable with any premiums for insurance carried by the company itself or with outside insurance companies.

On the other hand, if, at any time, the accretion to the fund is more than is required to take care of losses and premiums referred to, would it be permissible to transfer such excess to the general funds of the carrier?

Answer. The "Insurance" account in the Classification of Operating Expenses is intended to cover all premiums paid or accrued for insurance.

The fact that a special fund invested in securities provides income sufficient to take care of all premiums and losses should have no bearing upon the charge to Operating Expenses for the premiums accrued. The

income resulting from such investment is a proper credit to income account I 15, "Income from Sinking and Other Reserve Funds."

CASE 526.

Query. A carrier is setting aside a liability insurance fund by charging account No. 41, "Insurance" (Condensed Classification). When vouchers are passed covering personal injuries they are charged to "Liability Insurance Fund," and then an entry is made crediting account No. 41, "Insurance," with the amount and charging the proper personal injury account under Maintenance of Way and Structures, or Transportation Expenses, as the case may be.

Is this method of handling the matter correct?

Answer. Vouchers covering personal injuries should be charged to "Liability Insurance Fund," when such fund is created by monthly charges to account No. 41, "Insurance" (Condensed Classification).

No entries should be made crediting account No. 41 with the amount of such vouchers and charging personal injury accounts under Maintenance of Way and Structures or Transportation Expenses.

In case a carrier assumes its own risks on account of accidents and establishes a reserve, raised by charges to account No. 41, "Insurance," amounts paid for personal injuries will not appear in Operating Expenses under the various accounts, "Injuries to Persons."

CASE 527.

Query. A carrier transports theatrical passengers upon regular passenger trains and their baggage and paraphernalia upon chartered trains upon the basis of a lump sum for the combined service. The contract does not indicate the proportion of the amount received which covers the transportation of passengers or how much is for the transportation of baggage, etc. What is the correct accounting?

Answer. The passengers being carried on regular passenger trains, the accounting officer should determine the proportion of the lump sum received which is properly assignable to revenue account No. 2, "Passenger Revenue," and should credit the remainder to revenue account No. 10, "Special Service Train Revenue."

CASE 528.

Query. To what account should be charged the refunds to detective agencies of fares paid by their detectives while traveling solely in a carrier's service?

Answer. Refunds of fares on carrier's own line should be charged to revenue account No. 2, "Passenger Revenue," and of fares on foreign lines to the appropriate operating expense accounts.

CASE 529.

Query. Referring to account No. 18 in the Classification of Expenditures for Road and Equipment, what buildings constitute "station buildings"?

Answer. Baggage buildings, bridges at stations (not public highways), coal bins for station use, express buildings, freight houses, grain cribs, grain elevators (small storage elevators), outhouses, passenger stations, power houses used exclusively for generating power for station purposes, restaurants, station platforms, station subways, stock pens, telegraph offices (other than towers for interlocking block and signal purposes), trainmen's buildings, transfer houses, and platforms.

CASE 530.

Query. To what account should be charged rents paid for fare registers used on electric cars operated over a small portion of railway on which there is electric car service?

Answer. Assuming that a company is keeping its accounts according to the Classification of Operating Expenses for Steam Roads, the rents paid for fare registers should be charged to account No. 89, "Train Supplies and Expenses."

CASE 531.

Query. Railroad B pays Railroad A a fixed monthly rent and a proportion (based on car and engine miles) of operating expenses for the joint use of A's tracks between Y and Z. The contract between the two railroads gives A the right to erect, at any time, interlocking plants at Y and Z and to charge B with a proportion of the cost, based on the car and engine miles of the preceding six months. This arrangement gives no property rights to B. In case of the construction of these plants, what is the correct accounting by A and B for the cost of the plants?

Answer. Assuming the plants to be an addition, A should charge their cost to the proper additions and betterments accounts. The proportion of the cost paid by B should be credited by A and charged by B to the appropriate joint-facility rent accounts under Income, such payments being in the nature of additional rents.

CASE 532.

Query. What accounts should be charged with the cost of furnishings and other office supplies of a claim agent, who is in charge of the settlement of claims covering injuries to persons and damage to property other than freight and baggage?

Answer. The cost should be apportioned among the accounts to which the salary of the claim agent is charged.

Provision is made under the various "Injuries to Persons" accounts and accounts No. 101, "Damage to Property," and No. 102, "Damage to Stock on Right of Way" for salaries and expenses of claim adjusters.

CASE 533.

Query. To what account should be charged the pay of a telegraph and a telephone operator engaged in handling the business for all departments in a general office?

Answer. The salaries of the telegraph and telephone operators employed in the general office should be apportioned to the departments served, on an equitable basis.

CASE 534.

Query. Is it the intention that where the general, traffic, and transportation departments occupy one general office building, the cost of such items as rent, heat, light, etc., in such offices shall be included in account No. 108, "General Office Supplies and Expenses?"

Answer. The supplies of the offices of the general officers enumerated in account No. 106, "Salaries and Expenses of General Officers," should be included in account No. 108, "General Office Supplies and Expenses." The office expenses of department superintendents who occupy the general offices should be apportioned to the appropriate "Superintendence" accounts. (See Case 404.)

CASE 535.

Query. The passenger trains of railroad B run into the union station of terminal railroad A. B pays A an agreed rent for use of the station, a small amount for trackage, and the expenses of the running repairs to the locomotives and of the cleaning of the cars in these trains. In what accounts should B include these payments?

Answer. The amount paid for rent and trackage is compensation for the use of joint facilities and should be divided between income account I 21, "Joint Facility Rent Deductions," and the various joint-facility accounts under Operating Expenses.

The amounts paid the terminal company for repairs to locomotives are not joint-facility items and should be charged by B to account No. 25, "Steam Locomotives—Repairs."

The amounts paid the terminal company for cleaning cars should be handled through the appropriate joint-facility expense accounts if the expense is incident to the operation of joint car-cleaning yards. (See Case 410.)

CASE 536.

(Omitted.)

CASE 537.

(Answer not finally approved. See Accounting Series Circular No. 12e.)

CASE 538.

Query. To what account should the collections be credited and the expenses be charged for ice supplied at tariff rates for refrigeration of freight?

Answer. The refrigeration charges collected should be credited to expense account No. 89, "Train Supplies and Expenses." The cost to the carrier of the refrigeration should be included in the same account.

CASE 539.

Query. A carrier company's main line connects with two other railroads. Its traffic is largely lumber, and the timber supply is partly located on the lines with which it connects. The company operates over the two lines for the purpose of hauling the logs to mills on its lines and the lumber back to its connections. In order to get the logs it is necessary to build temporary tracks from these lines. The main tracks into the timber are built at the expense of the carrier company, and the mill company builds branches from these main lines, using steel rails belonging to the carrier; in other words, the carrier builds a part of the track into the timber and furnishes the rail and angle bars for all of the track. It also furnishes the locomotives and cars used by the mill company in delivering the logs to the points where the timber lines connect with the carrier lines.

These tracks are all maintained by the mill company, and all repairs or damage to equipment is borne by the mill company.

(a) To what account should the expense of constructing these temporary lines be charged?

(b) To what account should the depreciation on the equipment be charged?

(c) To what account should the expense of operating the carrier's trains over the connecting lines, including trackage paid to such lines, be charged?

Answer. It is assumed that the carrier receives rent from the mill company for the use of the tracks in question as well as of the equipment loaned; that it receives regular tariff rates for transporting the logs from the junction of the timber lines to the mills; and that its expense accounts are kept in accordance with the condensed Classification of Operating Expenses for Steam Roads.

(a) The first cost of constructing these temporary lines should be charged to additions and betterments account A 13, "Sidings and Spur Tracks," and when relocated or taken up the cost should be handled in accordance with the requirements of the Classification of Expenditures for Additions and Betterments.

(b) The depreciation on equipment should be charged to proper depreciation accounts in the Classification of Operating Expenses.

(c) The expense of operating the carrier's trains between the points where the logs are received and the point where they are delivered to the mills should be charged to primary accounts in the regular manner. The amount paid to connecting lines for trackage should be apportioned by the connecting lines, in making bills, between the joint facilities operating expense and income accounts, and such distribution should be followed by the debtor.

CASE 540.

Query. Terminal railroad A is operated as a joint facility for railroads B, C, and D. How should B, C, and D include in their accounts their proportions of the results of the operations for their joint account of a station restaurant by A, the operations of which are included by A in the outside operations accounts?

Answer. A should apportion to each tenant road a proportion of both revenues and expenses of the restaurant service. The tenant roads should take up in the outside operations primary accounts their respective proportions of these revenues and expenses.

CASE 541.

Query. In view of the fact that account B 36, "Audited Vouchers and Wages Unpaid," provides that unclaimed wages should be included therein, is it permissible to close unclaimed wages into Profit and Loss?

Answer. There is no objection to closing out unclaimed wages at the proper time to profit and loss account PL 4, "Miscellaneous Credits." (See Case 457.)

CASE 542.

Query. (a) In what general balance sheet account should be included the cost of equipment purchased under a trust plan?

(b) How should the carrier's ownership in such equipment be represented?

Answer. (a) The cost of equipment acquired under a trust agreement should be included in general balance sheet account B 1-B, "Investment since June 30, 1907," and in subaccount "Equipment." The obligations assumed in payment for the equipment should be stated in account B 31, "Funded Debt" and in subaccount (e) "Equipment Trust Obligations."

(b) In most cases the railroad's interest in the equipment is represented by the reduction in amount of the obligations issued. Where the obligations have a common date of maturity and deposits are required to be made with a trustee to cancel them at maturity, the railroad's interest is represented by the value of the fund in the hands of the trustee, which should be stated in account B 23, "Cash and Securities in Sinking and Redemption Funds."

CASE 543.

(Omitted.)

CASE 544.

(Omitted.)

CASE 545.

Query. Is it intended to close monthly to account B 1-B, "Investment since June 30, 1907," under "Property Investment," charges to Additions and Betterments, or is this to be done at the end of the year? In the latter case, where should be carried additions and betterments on the monthly balance sheet?

Answer. Expenditures for additions and betterments are required to be closed finally into the property accounts. If this is not done monthly, it is preferred, on account of the requirements of the annual report forms, that it shall be done at the close of each fiscal year. The monthly balances in the additions and betterments accounts may be carried in a suspense account under balance sheet account B 26, "Other Deferred Debit Items."

CASE 546.

Query. Referring to Form of General Balance Sheet Statement:

A carrier has a subordinate railroad separately incorporated. When constructed, the entire cost of the road was charged and now stands

in the carrier's "Cost of Road." Stock was issued and a small number of shares held in the carrier's treasury, the balance being pledged and in hands of a trustee. No dividends are paid, the road being operated as part of the carrier's system. The entire amount of the stock has not been carried on the carrier's books as "Securities Owned" for the reason that the asset appears in its "Cost of Road" account.

Is it required that these securities be set up in an account on the carrier's books and appear on the prescribed balance sheet under "Securities of Proprietary, Affiliated, and Controlled Companies—Pledged (and Unpledged)"; if so, under what corresponding liability account should they be closed?

Answer. The cost of the property of the subordinate company should not be included in the "Cost of Road" account. The stock of the corporation is owned, not its physical property. The book value of the stock should be stated as "Securities of Proprietary, Affiliated, and Controlled Companies—Pledged (or Unpledged)," in accordance with accounts B 2 and B 4 in the Form of General Balance Sheet Statement.

CASE 547.

(Omitted.)

CASE 548.

(Omitted.)

CASE 549.

(Answer not finally approved. See Accounting Series Circular No. 12e.)

CASE 550.

(Omitted.)

CASE 551.

(Omitted.)

CASE 552.

(Omitted.)

CASE 553.

(Omitted.)

CASE 554.

Query. To what additions and betterments account should be charged the cost of the original installation of planks between and alongside the rails at a point where commuter passengers are received and discharged, there being no station at this point?

Answer. Such cost should be included in account A 21, "Station Buildings and Fixtures."

CASE 555.

Query. A company proposes rebuilding second hand wooden gondola cars by applying steel bodies. Does the change in material of the cars constitute such a change in class of equipment as that referred to in Note B, under the text of additions and betterments account A 33, "Equipment"? How should the cost of the changes be charged?

Answer. Such a change in the material of a car is not considered as constituting a change in the class of equipment.

Paragraph 3 of additions and betterments account A 33, "Equipment," explains the method of accounting for the cost of such rebuilding of equipment. (*See Case 420.*)

CASE 556.

Query. Is it intended that all debits and credits to the additions and betterments accounts shall be analyzed in detail and reclassified in accordance with the Classification of Expenditures for Road and Equipment?

Answer. As explained in paragraph 14 of the General Instructions in the Classification of Expenditures for Additions and Betterments, the net increases or decreases in the investment as indicated by the additions and betterments accounts are to be closed into road and equipment accounts.

This requirement practically involves a classification of all debits and credits in road and equipment accounts as well as in additions and betterments accounts.

CASE 557.

(Omitted.)

CASE 558.

(Omitted.)

CASE 559.

Query. A new enginehouse is being built by a road which has to haul the material for some distance on freight cars. May it charge to Additions and Betterments the time the freight cars are in use in handling material for this building; and, generally, is it to be understood that the rent and expenses of locomotives and work cars used in additions and betterments work is to be charged to the cost of the work?

Answer. The principle followed in the Classification of Expenditures for Additions and Betterments is that the cost of transportation may be included as part of the cost of improvement. This will involve a charge for freight on foreign lines and the actual cost of transportation

on the carrier's own lines. A fair rent for and the expenses of equipment used in additions and betterments work may be charged to the cost of the work. (*See Cases 132 and 476.*)

CASE 560.

Query. A company handles logs and ores extensively, and to get this freight is obliged to build temporary tracks into the woods and to the mines. Is it permissible, instead of charging the entire cost of these tracks to additions and betterments account A 13, "Sidings and Spur Tracks," to charge the material, such as rails, angle bars, and switches, to this account, and to include in Operating Expenses the cost of the ties, bolts, and grading? In this way the irrecoverable portion of these tracks is disposed of during the time revenue from them is being received and not after the revenue is all in.

Answer. The entire first cost of the sidings and spur tracks should be charged to the property accounts through Additions and Betterments. If it is desired to provide in advance for the abandonment of such tracks, so that operating expenses will bear the burden during the earning period of the tracks, depreciation accounts may be set up for the purpose of creating a reserve, to which may be charged the cost of such tracks, less salvage, when abandoned, provided a list of the subprimary accounts to be set up for the purpose is first filed with the Division of Carriers' Accounts, as provided for in the orders promulgating the classifications.

(*See paragraphs 4 and 5 of the General Instructions in the Classification of Expenditures for Additions and Betterments.*)

CASE 561.

Query. To what account or accounts should be charged the original cost of putting in sidings or spur tracks?

Answer. The first cost of sidings and spur tracks laid by a road in operation should be charged to additions and betterments account A 13, "Sidings and Spur Tracks." If the sidings and spur tracks are laid as part of first construction the cost should be included in the different accounts provided in the Classification of Expenditures for Road and Equipment.

CASE 562.

Query. Provision is made in the classification of Expenditures for Additions and Betterments for excess weight of rail, for heavier or improved frogs and switches, and for improved track fastenings. Where

should be charged the excess cost of improved ties, as when oak ties replace pine; treated ties, untreated; or metal ties, wooden?

Answer. No provision has been made in the Classification for betterments of ties.

CASE 563.

(Omitted.)

CASE 564.

Query. A railroad rents station buildings and tracks and the land on which the buildings and tracks are located from a company which is not a transportation company. It has exclusive use of the property. To what account should the railroad charge these rents?

Answer. As a general principle, payments for the use of property or facilities required by a carrier are considered proper charges to Income. Exceptions have been made for offices and station buildings rented. Rent paid for a building usually includes the use of necessary land. Where a rental payment involves the use of a station building and a yard, the rent should be equitably divided and the part representing rent for the station building charged to expense account No. 66, "Station Supplies and Expenses," in the Classification of Operating Expenses, while the second part, representing the use of other property, should be charged to income account I 22, "Miscellaneous Rent Deductions."

CASE 565.

Query. A railroad is constructing for a short distance a new double track, which will give it better grades and improved facilities. After this has been constructed the original main-line single track will be discontinued and the rails and other material disposed of. The Commission requires monthly reports of operating revenues and expenses, and it is supposed that the estimated cost of reproducing the track which is to be discontinued should be included in our reports of operating expenses some time during the year. Is it proper to include this, by monthly estimates, in reports from month to month while the work is going on, or shall a suspense account be opened, such as is referred to in the General Instructions to the Classification as "Distribution of charges for abandoned property"?

Answer. After making as close an estimate as possible of the cost of improvements undertaken and dividing the total of the estimate into the parts chargeable to Additions and Betterments and to Operating Expenses, there is no objection to monthly charges being made to both accounts as the work progresses, provided the accounts are ad-

justed annually to the basis of actual expenditures. The account B 21, "Property Abandoned, Chargeable to Operating Expenses," was designed for the purpose of enabling a carrier to spread over two or more years the amount chargeable to Operating Expenses on account of additions and betterments work when the operating expense accounts of the carrier would be unduly burdened if the whole amount were included in a single year.

CASE 566.

Query. How may a carrier make adjustment of the differences, due to insufficient charges for depreciation, between the value of equipment as carried in its property account and the actual value of the equipment as ascertained by an inventory appraisal?

Answer. The property accounts should include the cost of equipment owned; the depreciation account should represent the expired value (depreciation) on that equipment.

If a carrier's equipment accounts prior to July 1, 1907 (the effective date of the depreciation accounts in Operating Expenses) show insufficient charges for depreciation, and a carrier elects to make an adjustment so that the property account "Equipment" shall, in fact, reflect the cost of equipment in service and the depreciation accounts reflect the full amount of depreciation accrued on such equipment from the beginning of its life, such adjustment for depreciation prior to July 1, 1907, should be made through Profit and Loss.

Advice as to the proper disposition of differences due to insufficient charges for depreciation after July 1, 1907, will be given by the Commission upon receipt of particulars of such discrepancies.

CASE 567.

Query. In the Classification of Expenditures for Additions and Betterments prescribed by the Commission, effective on July 1, 1910, account A 33, "Equipment," provides that the cost of all equipment purchased, built, or otherwise acquired shall be charged to Additions and Betterments, without regard to replacement accruals, and that the original cost of all equipment retired shall be credited to Additions and Betterments.

This is a radical departure from the methods adopted by the Commission July 1, 1907, under which new equipment and equipment retired were to be carried in equipment replacement account, and question now arises as to what carriers are to do with the vast sums that they have charged in the past for depreciation on equipment, which sums have been credited to equipment replacement account.

Answer. The changes made in the equipment accounts are in the direction of attaining greater uniformity in accounting methods. The effect of the methods prescribed for handling the accounts is that the account Property Investment will, in theory, include the actual cost of all equipment owned, while the depreciation account will represent the expired value or depreciation on that equipment.

It will be necessary now, as in the past, to charge each month to Operating Expenses a certain amount representing depreciation on equipment owned.

An adjustment may be made through the additions and betterments accounts so that there may be added to the depreciation reserve the amount of depreciation charged to Operating Expenses prior to July 1, 1909, on equipment in service on that date. Such adjustment will of course correspondingly affect the equipment account; the accrued depreciation on equipment in service July 1, 1910, should be left in the depreciation account and the cost of such equipment in the property account.

If the accounts prior to July 1, 1907 (the effective date of the depreciation accounts in the Classification of Operating Expenses) show insufficient charges for depreciation and a company elects to make an adjustment so that the account Property Investment will reflect the actual cost of the equipment now in service and the depreciation account will include the full amount of depreciation accrued on that equipment from the time it was taken into service, the adjustment for depreciation accrued prior to July 1, 1907, should be made through Profit and Loss.

CASE 568.

(Omitted.)

CASE 569.

Query. A railroad company has purchased the property of another railroad, and with it a lot of equipment which will be appraised at present value and so taken into inventory account. It is the intention to immediately rebuild and repair many of these cars. It is the understanding of the purchaser that this expense constitutes a proper charge to account A 33, "Equipment," and that the only expenditures on account of this equipment chargeable to Operating Expenses of the purchaser will be those on account of repairs, etc., rendered necessary by service after the date of the taking over the property. Is this understanding correct?

Answer. In case a road takes over the equipment of another road, its appraised value is to be charged to Additions and Betterments,

as provided in account A 32, "Reconstruction of Road Purchased." This account presumes, of course, that the equipment is to be appraised at a fair cash value in the condition in which it was acquired. Starting from this point, the cost of any improvements made is chargeable to additions and betterments account A 33, "Equipment," as rightfully as would be the cost of improvements to equipment already in service or acquired direct from the makers. The cost of repairs made necessary by operation after the acquirement of the equipment is chargeable to Operating Expenses.

CASE 570.

(Omitted.)

CASE 571.

(Omitted.)

CASE 572.

(Omitted.)

CASE 573.

(Omitted.)

CASE 574.

Query. In the Classification of Expenditures for Additions and Betterments, effective on July 1, 1910, the text of the primary account, "Equipment," second paragraph, provides that depreciation prior to July 1, 1907, is to be charged to Profit and Loss.

In the Classification of Operating Expenses, Third Revised Issue, it is ordered that there should be charged to Operating Expenses—"Depreciation"—and credited to Replacement account, monthly, one-twelfth of a certain per cent per annum of the original cost of the equipment; and, when the equipment is retired from service, there should be charged to Operating Expenses—"Renewals"—and credited to Replacement account the original cost, less amount previously charged for depreciation and less the value of the scrap or salvage recovered. "Reserve" account is thus credited with the original value of the equipment without regard to whether or not depreciation accrued prior to July 1, 1907. Is there not a conflict in the two orders?

Answer. The provision in the Additions and Betterments classification to the effect that depreciation accrued before July 1, 1907, should be charged to Profit and Loss is not at variance with the principles heretofore announced by the Commission. It is true the Operating Expenses classification does not specifically prohibit this depreciation from being charged to Operating Expenses. Accounting Series Cir-

cular No. 13, however, was issued on July 29, 1907, and explains very specifically that current operating expenses should not be charged with expenses that rightfully belong to previous years.

CASE 575.

Query. Under the provisions of the Classification of Expenditures for Additions and Betterments, a carrier has left standing in its Replacement account a large balance, which will be constantly augmented, and it does not appear to be available for any purpose. How is this account to be closed? Should not depletions in the equipment be cared for before charging new equipment to Additions and Betterments?

Answer. The replacement (depreciation) account is not to be closed out and is not exhausted so long as the road continues in operation. At all times it stands as the measure of depreciation. Nothing prevents replacement of old with new equipment, and if one lot of equipment is replaced by another, the Property accounts are not affected to a greater extent than the difference between the cost of the two. Property accounts in the balance sheet statement are intended to be a statement of the actual investment. It is believed that the equipment accounts in the Classification of Expenditures for Additions and Betterments more nearly attain this object than they did formerly.

CASE 576.

Query. Certain outstanding bonds are redeemed at a premium, and other bonds of a new issue are sold. To what accounts should be charged the premium on the redeemed bonds and the expenses in connection with the new issue, such as legal expenses, engraving, etc.?

Answer. The premium on the bonds redeemed may be charged to Profit and Loss, into which account also should be closed any balances carried in account B 20, "Unextinguished Discount on Securities," and account B 44, "Unextinguished Premiums on Outstanding Funded Debt," resulting from the issuance of these bonds. The expenses in connection with the new issue of bonds should be charged to the appropriate discount and premium account.

CASE 577.

Query. Railroad B furnishes the necessary equipment and operates passenger trains a distance over Railroad A's tracks. A pays B a rate per train-mile for the service and receives all local revenue and proportion of revenue for through traffic in trains while on these tracks. What is the proper accounting for these revenues and expenses?

Answer. Railroad A should credit the revenue of the trains to the primary accounts under Revenue from Transportation and should report all passenger and mileage statistics of the trains.

The amount paid for the train service should be divided, upon a basis agreed to between the two roads, into two parts; one part, representing the rent of the equipment, should be included by both roads in income account "Hire of Equipment," the other part, representing the expenses of operation, should be charged by A under general accounts Maintenance of Equipment and Transportation Expenses to the primary accounts other than joint-facility accounts, and should be deducted by B from the charges to the similar accounts.

CASE 578.

Query. In preparation for the construction of a road, several lines were surveyed, solely to affect the contribution of the right of way by landowners desiring the road built. The road was finally located on a line different from those previously surveyed. Should the expense of running the previous lines for the purpose of securing the right of way at a minimum cost be charged to the "Right of Way" account?

Answer. The cost of all preliminary surveys conducted in connection with the construction of a new road should be charged to the "Engineering" account.

CASE 579.

Query. A railway company purchases cars for a certain amount per car, payable monthly, with interest on the deferred payments. To what account should the interest be charged?

Answer. It should be charged to income account I 28, "Interest Deductions for Funded Debt."

CASE 580.

Query. Railroad A connects with Railroad B at X. To avoid transfer at X of passengers to and from Y—an important point on A's line—the cars in B's trains are used in A's trains between X and Y. B makes no charge for the use of these cars and guarantees A a certain minimum of earnings from these trains. In what accounts should the amounts paid under this guaranty be included?

Answer. These amounts should be credited by A to revenue account No. 8, "Other Passenger-Train Revenue," and should be charged by B to expense account No. 98, "Other Expenses."

CASE 581.

Query. A railroad is constructed at a cost equal to the amount realized from the proceeds of a bond issue. Capital stock is issued to stockholders free of charge. What entries should be made in the balance-sheet accounts on account of the issue of this stock?

Answer. The par value of the stock issued should be credited to account B 28, "Capital Stock," and should be debited to account B 20, "Unextinguished Discount on Securities." The cost of road and equipment as stated in the Property Investment accounts should be their actual cost in cash.

CASE 582.

Query. In the last fiscal year an amount was credited to Maintenance of Equipment which should have been credited to "Equipment." How may adjustment be made?

Answer. Adjustment may be made in current accounts, unless such entries will impair comparisons, in which case application may be made to the Commission for permission to make adjustment through Profit and Loss.

CASE 583.

Query. In what account should a carrier include an amount recently paid for damages to a building and lot near the right of way during the construction of its road in 1903?

Answer. Such amount should be charged to road and equipment account No. 2, "Right of Way and Station Grounds."

CASE 584.

Query. A carrier realized a profit of \$2,000 upon coal which it furnished in one month to another carrier. If this profit is credited as provided in Cases 246 and 262, it will decidedly upset its operating expenses. In what account should the profit be included?

Answer. Cases 246 and 262 have reference to small profits arising from work done or supplies furnished under conditions which make it difficult to separate costs and profits.

If a carrier regularly supplies a commodity, the business should be conducted as an outside operation; but if, as in the case mentioned, there is a temporary arrangement only, the profit arising should be credited to revenue account No. 19, "Miscellaneous." It is assumed that in arriving at the profit, proper allowance was made for freight and handling.

CASE 585.

Query. What is the proper disposition of a profit realized from the sale of real estate which was purchased by a company in connection with its right of way and station grounds, and not being needed, was afterwards sold at a profit?

Answer. Such profit should be credited to profit and loss account PL 4, "Miscellaneous Credits."

CASE 586.

Query. There are cases in which the transportation department of a carrier is required to do extra switching for the maintenance of way department, which consists in the placing of cars for the convenience of section men, after they have reached their destination. Should the maintenance of way accounts be charged for this special service, and, if so, how should the amounts be credited?

Answer. When the switching is performed by engines regularly engaged in revenue service and is incidental to the usual free transportation of company material, no charge should be made.

If the service is distinct from revenue service and is sufficient to justify consideration as work-train service, the actual expenses of the service should be included in the cost of the work for which the material switched is used.

CASE 587.

Query. A road sells short-term notes because the money market does not warrant the sale of the bonds, which are deposited as collateral for the notes. Is it permissible to spread the discount on the notes over the life of the bonds, treating the sale and retirement of both notes and bonds as one transaction?

Answer. The sale and retirement of the notes should be separately considered, and the discount suffered should be treated as provided in general balance sheet account B 20, "Unextinguished Discount on Securities."

CASE 588.

Query. A carrier has been carrying on its books for over a year several uncollectible items of freight charges against concerns which have gone into bankruptcy. To what account should these items be charged?

Answer. See Case 589.

CASE 589.

Query. A shipper to whom credit was extended under authority of the accounting department became insolvent and freight charges could not be collected. To what account should the loss be charged?

Answer. The loss should be charged to income account I 30, "Miscellaneous Deductions," or to profit and loss account PL 14, "Delayed Income Debits," as may be appropriate; or to a reserve for doubtful accounts in case such a reserve has been provided.

CASE 590.

Query. To what account should be charged the amount of a recent judgment covering a construction expense, the construction accounts of the carrier having long since been closed?

Answer. Such items should be charged to the same road and equipment accounts that would have been charged had the payments been made promptly.

CASE 591.

Query. To what account should be charged a contribution to a guaranty fund to protect a "Chautauqua" against loss?

Answer. If such a contribution is made for traffic purposes, the amount should be charged to account No. 55, "Advertising." Contributions made without regard to traffic but incidental to operation should be charged to account No. 114, "Other Expenses." If a road should contribute funds in its capacity as a corporation which are not properly includible in operating expenses, the amount should be charged to income account I 30, "Miscellaneous Deductions."

CASE 592.

Query. A bridge company owns, maintains, operates, and pays the taxes upon a bridge over which a single railroad, in consideration of a fixed annual rent, enjoys the right to operate its trains. In what accounts should this rent be included?

Answer. The bridge company, not being an operating railway company, should credit to Operating Expenses such proportion of the rent as will extinguish its charges for maintenance and operation. It should credit the remainder of the rent to income account I 9, "Miscellaneous Rent Income," and should charge the taxes to account I 5, "Railway Tax Accruals."

The railroad should charge the proportion of the rent representing the expenses of maintenance and operation to the appropriate operating expense primary accounts and the remainder to income account I 22,

"Miscellaneous Rent Deductions." As this is the only railroad operating trains over the bridge, it is not a joint facility.

CASE 593.

Query. A certain railroad adjusted the value of its equipment in its property account on June 30, 1907, to the inventory value as of that date. Upon what values should the depreciation of such equipment be based?

Answer. In theory, the depreciation should be based upon the cost of the equipment, but in view of the possible adjustments that may have been made on or before the effective date of the depreciation accounts (July 1, 1907), the record value of that date will be accepted as the basis of the computations.

The record value of equipment is understood to represent the cost, with such adjustments as may have been made in recognition of the depreciation accrued at the time of the adjustment.

CASE 594.

Query. A railroad company is building into an adjacent foreign country and finds it necessary to pay duties on construction material and supplies and to incur other expenses, such as the purchase of revenue stamps and the payment of brokers' commissions, etc. As the distribution of these expenses to the various construction accounts is somewhat complicated, is it at liberty to charge them to one account, namely, "Other Expenditures"?

Answer. When possible the duties and expenses should be added to the cost of the material. When the proper distribution of such expenses is difficult or impossible, they should be charged to road and equipment account No. 48, "Other Expenditures."

CASE 595.

Query. To what accounts should the cost of extending a main line a few miles beyond its present terminus be charged?

Answer. Such expenditures should be charged directly to the appropriate road and equipment accounts.

CASE 596.

Query. How should county script which is purchased at a discount and which will be accepted at face value in payment of taxes be carried in the balance sheet, and in what accounts should the profit be included when the scrip is used?

Answer. The scrip should be carried in assets at cost. When it is used in the payment of taxes the profit should be credited to profit and loss account PL 4, "Miscellaneous Credits."

CASE 597.

Query. At certain points on the border cars are held by the custom-house authorities a considerable length of time. Is the per diem accrued during the detention of the cars chargeable to "Hire of Equipment" or to transportation expense account No. 98, "Other Expenses?"

Answer. The per diem charges assessed in accordance with the per diem rules of the carrier should be charged to "Hire of Equipment."

CASE 598.

Query. To what account should be credited profits arising from the sale of material from stock?

Answer. If the profits arising from the sale of materials and supplies from stock are considerable in amount they should be credited to revenue account No. 19, "Miscellaneous," otherwise they should be credited to Operating Expenses. (See Cases 246, 262, and 584.)

CASE 599.

Query. For the convenience of passengers a carrier is about to construct a subway under its tracks between the east-bound and west-bound passenger stations. In the engineer's estimate is an item "Temporary support of track." Should the cost of the temporary support be charged to Additions and Betterments or to Operating Expenses?

Answer. It should be charged to Operating Expenses.

CASE 600.

Query. How should be charged the cost of hand cars and push cars used in the construction of a railroad?

Answer. The cost should be included as a part of the cost of the work upon which the cars are used. The accounts thus charged should be credited with the proceeds of any such cars sold during the construction period, as well as with the inventory value of any cars remaining at completion of the road. The inventory value of the cars retained in the operation of the road after the construction period should be included in road and equipment account No. 13, "Roadway Tools."

CASE 601.

Query. A carrier uses a short section of an idle tram road as a switching track to reach certain industries, paying a fixed sum as annual rent for the exclusive use of the track, and in addition one-half of the amount

collected from other roads for switching cars. The tram road is not a common carrier. In what accounts should the carrier include the amounts paid to the tram road?

Answer. The total amount paid to the tram company should be charged to income account I 22, "Miscellaneous Rent Deductions." The entire receipts for switching the cars of other companies should be credited to revenue account No. 9, "Switching Revenue."

CASE 602.

Query. A switching tariff covering service at a certain point names a certain rate and says:

"The rates named in this tariff apply only when the cars used are owned by the road effecting final delivery. When cars of other ownership are used an additional charge of \$1.25 per car will be made to cover the per diem."

Should the additional charge covering per diem be credited to "Hire of Equipment" or should the entire switching rate, including the \$1.25 be credited to "Switching Revenue" account?

Answer. If a tariff names certain rates for switching service the entire charge based upon such rates should be treated as switching revenue.

CASE 603.

Query. To what account should be charged the cost of electric lighting machinery installed at a terminal station for the purpose of furnishing electric light for passenger cars?

Answer. Such cost should be charged to additions and betterments account A 21, "Station Buildings and Fixtures."

CASE 604.

Query. To what account should be charged the expense of advertising for bids for grading, construction of bridges, etc.?

Answer. It should be treated as a part of the cost of the work to be done and charged accordingly.

CASE 605.

Query. For two years past, pending the court's decision, a carrier has been carrying to a suspense account the proportion of passenger fares collected in excess of the rates prescribed by the State Commission. It has now been decided that the excess collected may be retained. To what account should it be credited?

Answer. It should be apportioned to revenue account No. 2, "Passenger Revenue," and profit and loss account PL 3, "Delayed Income Credits," as may be appropriate.

CASE 606.

Query. To what account should be charged the expense of cleaning the exterior of cars used in outside operations?

Answer. The expense of cleaning the exterior of dining cars should be charged to account No. 9, "Other Expenses," under Dining and Special Car Service in the Classification for Outside Operations. The cost of exterior cleaning of all other cars should be charged to account No. 89, "Train Supplies and Expenses," in the Classification of Operating Expenses.

CASE 607.

Query. To what account should be charged amounts paid to notaries for taking affidavits of weighmaster, agent, or other employee of a railroad company, as to the weight, number, or condition of articles transported, upon which a claim of the shipper has arisen, whether such claim be for overcharge or for loss and damage?

Answer. Fees paid notaries for taking affidavits in loss and damage claims should be charged to expense account No. 99, "Loss and Damage—Freight." In overcharge claims the amount should be charged to expense account No. 109, "Law Expenses."

CASE 608.

Query. A carload of lumber was, for convenience of the operating department, placed for unloading before the arrival of the waybill. When the freight bill was presented, consignee promised to pay the following day, but failed to do so. In the meantime the lumber was removed. The firm became insolvent, and the agent has not been able to collect. "Freight Revenue" received credit for the carrier's proportion, and connecting lines were settled with at the time shipment moved, which was in a previous fiscal year. What account should be charged with the loss?

Answer. The loss, having occurred through the fault of an employee in the transportation department, should be charged to expense account No. 98, "Other Expenses." (*See Case 379.*)

CASE 609.

Query. To what account should be charged premiums paid for indemnity insurance against injuries to employees engaged in the construction of a new line?

Answer. Such premiums should be charged to road and equipment account No. 48, "Other Expenditures."

CASE 610.

(Answer not finally approved. See Accounting Series Circular No. 12e.)

CASE 611.

Query. A carrier is fitting out a number of flat cars with cane racks, which will put the cars in shape to handle sugar cane from the plantations to the factories. While these are, in a way, additions to the cars, they are not permanent and will be removed as soon as the season is over. How should the expense be charged?

Answer. The expense should be charged to account No. 89, "Train Supplies and Expenses."

CASE 612.

Query. A bill of lading was issued by an agent against a fraudulent compress receipt for cotton, and the carrier was compelled to reimburse the innocent holder of the bill of lading. To what account should the payment be charged?

Answer. Such payments should be charged to expense account No. 98, "Other Expenses." (See Case 579.)

CASE 613.

Query. Through an error of a clerk in the freight claim office a duplicate refund was made of an overcharge, and the amount could not be recovered. To what account should the duplicate refund be charged?

Answer. The duplicate refund should be charged to expense account No. 114, "Other Expenses."

CASE 614.

Query. Through error, an agent delivered a shipment, against which there were demurrage and transportation charges, to an insolvent consignee and collection could not be made. To what account should the loss be charged?

Answer. The loss, having occurred through the fault of an employee in the transportation department, should be charged to expense account No. 98, "Other Expenses."

CASE 615.

Query. A passenger is misinformed by a ticket agent as to train connections at a distant point, and is reimbursed for expenses and fare paid. What account should be charged?

Answer. Charge both fare and expenses to expense account No. 98 "Other expenses."

CASE 616.

Query. To what account should be charged witness fees in a suit for damages growing out of the false arrest of a person suspected of setting fire to a shop building of the company; also, to what account should be charged the judgment, if any, secured in such a suit?

Answer. Both fees and judgment should be charged to expense account No. 21, "Other Expenses."

CASE 617.

Query. This company employs a firm of attorneys in Washington to represent it in matters with the Government. They are not under the direction of our legal department, but answer correspondence from any of our departments on any matter. For instance, this department is advised relative to railway-mail pay, and the traffic department is informed as to the filing of tariffs, and of rulings by the Interstate Commerce Commission, etc. To what account should the expense be charged?

Answer. The expense should be charged to expense account No. 109, "Law Expenses."

CASE 618.

Query. In the last fiscal year a wreck on our road destroyed a number of leased cars. To replace these cars we set up a fund by charging operating expenses with an estimated amount, which now proves to be in excess of the amount required. Are we at liberty to dispose of this excess through Profit and Loss or through current Operating Expenses?

Answer. If the amount you have charged on an estimate exceeds the cost, the excess should be credited to Operating Expenses.

CASE 619.

Query. To what account should be charged the salaries of and the cost of supplies for telegraph operators in the offices of traffic officers or in outside agencies?

Answer. They should be included in Traffic Expenses in account No. 53, "Superintendence," and account No. 54, "Outside Agencies," respectively.

CASE 620.

Query. At the terminal of a branch line under construction a carrier is establishing a water station for locomotives. It contracted for an artesian well, but before accepting same had the water analyzed. To what account shall we charge the cost of the analysis?

Answer. Such cost should be charged to road and equipment account No. 22, "Water Stations."

CASE 621.

Query. Recently a carrier's shops and some equipment were burned. After deducting insurance there remains a loss on both shops and equipment. Is it proper to charge the loss on the building to Profit and Loss? It is understood, of course, that the loss on the equipment should be taken care of in operating expenses.

Answer. If it is intended to replace the burned property the cost of replacing in kind, less insurance recovered, should be charged to the appropriate operating expense accounts. If the shops are not to be rebuilt, the cost should be credited to Additions and Betterments, and charged, less insurance recovered, to profit and loss account PL 13, "Loss on Retired Road and Equipment." The equipment should be handled in accordance with the provisions in additions and betterments account A 33, "Equipment."

CASE 622.

Query. To what account should be charged notarial fees paid in connection with acknowledgments of various reports required by National and State Governments?

Answer. Such fees should be charged to expense account No. 109, "Law Expenses."

CASE 623.

Query. To what account should be charged penalties paid for violation of the 28-hour stock law?

Answer. They should be charged to expense account No. 98, "Other Expenses."

CASE 624.

Query. A carrier frequently has charges for cleaning ice houses. Should the expense be charged to "Train Supplies and Expenses," or should it be divided between that account and "Station Employees"?

Answer. The cost of cleaning ice houses should be added to the cost of the ice and apportioned to the accounts to which the ice is charged.

CASE 625.

Query. In a number of instances a carrier rents rooms over passenger stations to employees, the rent being credited to account No. 18, "Rents of Buildings and Other Property." To what account should the expenses for these rooms, such as water rent, painting, paperhanging, etc., be charged?

Answer. Such expenses should be charged to the accounts to which are charged like costs for other parts of the building. If the costs can be separated, treat both rents and expenses under income account I 9, "Miscellaneous Rent Income." (See Case 326.)

CASE 626.

Query. To what account should be charged loss and damage payments on account of milk shipments on passenger trains?

Answer. Such payments should be charged to expense account No. 99, "Loss and Damage—Freight."

CASE 627.

Query. What account should be charged with the value of company material lost while in transit in a baggage car hauled in a passenger train?

Answer. The value of such material lost in transit should be charged to expense account No. 99, "Loss and Damage—Freight."

CASE 628.

Query. To what account should be charged: (1) Additional compensation allowed a station agent for carrying mail between the station and the post office? (2) Compensation allowed on pay roll to a mail carrier not otherwise employed in the service of the carrier? (3) Voucher payments for carrying mail in favor of an individual or a transfer company?

Answer. If an employee having other duties is paid additional compensation for carrying the mail, or, if some one is specially employed for that purpose and the service constitutes the major portion of his employment, the amount paid should be charged to expense account No. 63, "Station Employees." If the mail is transferred under contract, as by a transfer company or by an individual not considered an employee, the payment should be charged to expense account No. 66, "Station Supplies and Expenses."

CASE 629.

Query. When two companies own a half interest each in a building operated jointly, how should payments of insurance premium be treated (a) when the operating company pays the whole premium and bills on the other for its share; (b) when each company takes out its own insurance and makes direct payment of its premium to the insurance company?

Answer. In case jointly owned buildings are operated by one carrier for joint benefit, payments made by the operating carrier for insurance should be charged to expense account No. 110, "Insurance," by that carrier and the joint facility accounts, "General Administration Joint Tracks, Yards, and Terminals" credited and debited by the respective carriers. When each company pays its own insurance, each should debit the amount of its own premium to expense account No. 110, "Insurance."

CASE 630.

Query. A carrier company leases an engine and a number of cars from a mill company which owns a tramroad but is not a common carrier. It has also trackage rights on the tramroad at a certain price per train-mile. To what accounts should the payments be charged?

Answer. Payments to a mill company (not a common carrier) for use of its locomotive and cars should be charged to "Hire of Equipment." The payment for use of the track should be charged in proper proportion to Operating Expenses (Maintenance) and income account I 22, "Miscellaneous Rent Deductions," if the carrier has exclusive use of the tracks. In case the carrier has only the joint use of the tracks, the joint-facility operating expense and income accounts should be used

CASE 631.

Query. A special train is run from A to B for the movement of a theatrical company and their paraphernalia, requiring the use of 15 cars, for which a charge is made per capita, allowing 1 car for each 20 passengers and a rate per mile for each extra car. How should the amounts received on the per capita basis and for the extra cars be distributed?

Answer. The amount received on per capita basis should be credited to revenue account No. 2, "Passenger Revenue," and the passenger statistics treated accordingly; the amount received for the extra cars should be credited to account No. 8, "Other Passenger-Train Revenue."

CASE 632.

Query. Railway A rents a portion of its tracks to Railway C at a flat rate per annum, the amount of which is credited to rent, maintenance,

and operation. This track is a part of that operated jointly by A and Railway B. Under the contract for the joint operation, B is entitled to its proportion of the amounts received by A from C. What is the proper distribution of the amount paid by A to B as its share of the amounts collected from C?

Answer. The amount paid by C to A should be divided into two parts: one representing maintenance and operation; the other, rent. The first of these two parts should be credited by A to its appropriate joint facility operating expense accounts and the other to the joint facility rent account under Income. The proportion of these credits which is allowed in settlement with B should be deducted from B's proportion of the charge for rent, maintenance, and operation of the whole joint facility, and the remainder, which is collected from B, should be credited by A to its appropriate joint-facility operating expense accounts and joint facility rent account under Income.

CASE 633.

Query. Two Pullman tourist cars, while in service in a carrier's train, were destroyed in a wreck. The carrier derives revenue only from the transportation of the passengers, the owning company receiving the revenues from the sleeping-car accommodations. The carrier admits responsibility for the loss and has settled for the cars. No insurance was carried. To what account should it charge the loss?

Answer. The loss should be charged to expense account No. 31, "Passenger-Train Cars—Repairs."

CASE 634.

Query. To what account should revenue earned by a carrier for weighing cars for another company be credited?

Answer. When the operation involves switching service the revenue should be included in revenue account No. 11, "Miscellaneous Transportation Revenue;" otherwise it should be included in revenue account No. 19, "Miscellaneous."

CASE 635.

Query. The connecting line between the tracks of the A company and those of the B company is owned one-half by each company—each company owning the one-half of the track next to its own line. The two companies alternate in performing the joint switching over this track in periods of six months, rendering bills alternately for proportions of service performed. How should the payments be charged and credited?

Answer. It is assumed that the bills for the service performed cover the cost of engine and train or of yard service. The amounts of such charges should be included in the appropriate primary operating expense accounts other than joint-facility accounts. If charges for hire of equipment are included in these bills, such charges should be included by both companies in "Hire of Equipment" in Income.

CASE 636.

Query. A carrier has a joint-facility arrangement with another carrier which does not report to the Commission. Should it handle the amounts received for the use of these facilities through its joint-facility accounts?

Answer. It should. Amounts received from a carrier, whether it reports to the Commission or not, for the joint use of property operated by a carrier reporting to the Commission should be divided by the operating carrier into two parts. One, representing the cost of maintenance and operation, should be credited by the operating carrier to the joint-facility expense accounts affected; the other should be credited to income account I 8, "Joint Facility Rent Income." In case the facilities used jointly are of minor importance, and the amounts received for the use of them are small, the credits may be to revenue account No. 18, "Rents of Buildings and Other Property."

CASE 637.

(Answer not finally approved. See Accounting Series Circular No. 12e.)

CASE 638.

Query. To what account should be charged the rent of a building which is used exclusively for the storage of unclaimed and damaged freight?

Answer. Such expense should be charged to account No. 99, "Loss and Damage—Freight."

CASE 639.

Query. A regular switch engine is taken to the shops, a number of miles distant, for repairs and is relieved by a switch engine from the shops. To what account shall be charged the expense of handling the relief engine from the shops to the point where it is to be put in service? How should the mileage of the engines be classified?

Answer. The expenses should be charged to the proper yard accounts under Transportation Expenses. The mileage of the relief engine, up to the point where it enters revenue service, should be classified as "Nonrevenue Service Locomotive-Miles," and if the regular engine moves under its own steam to the shops, its mileage should be similarly classified.

CASE 640.

Query. What is the correct classification of mileage of cabooses deadheaded in passenger trains and of baggage cars deadheaded in freight trains?

Answer. Mileage made by cabooses deadheaded in passenger trains should be included in "Freight Car-Miles—Caboose."

Mileage made by baggage cars deadheaded in freight trains should be included in "Passenger Car-Miles—Other Passenger-Train Cars."

CASE 641.

Query. A and B are 10 miles apart, and the freight destined to B passes through A. The freight trains are divided in the yard at A, and through freight destined to B is taken over by a transfer crew. The line between A and B is a part of our main line. Should the service of the transfer crew between these points be considered road service or yard service?

Answer. It should be considered road service.

CASE 642.

Query. How should we classify mileage made by a train in hauling bad-order cars to shops for repairs? Also, the mileage of a train hauling fire engines and apparatus, for which service no charge was made?

Answer. The mileage made in hauling bad-order cars should be classified as "Nonrevenue Service Train-Miles," as should also the mileage made in hauling fire engines and apparatus under the conditions stated.

CASE 643.

(Omitted.)

CASE 644.

Query. A private car is handled at a flat rate, the passengers paying regular fare in addition. To what should the amount received upon the flat-rate basis be credited?

Answer. It should be credited to revenue account No. 8, "Other Passenger-Train Revenue."

CASE 645.

Query. A passenger car containing passengers ticketed to a point on a connecting line is transferred at the junction by a terminal company which renders a bill for the service against the line ticketing the passengers. To what account should the amount of the bill be charged?

Answer. If a special collection is made for the transfer of the car, the transfer company's bill should be charged to the account to which the special collection is credited. If a special collection is not made, the transfer company's bill should be charged to account No. 2, "Passenger Revenue."

CASE 646.

Query. Patrons on a carrier's line frequently charter a special coach for a lump sum, the coach being handled in regular passenger trains. To what account should the revenue be credited? How should the train mileage and car mileage be classified?

Answer. If the compensation covers only the exclusive use of the car, and does not include the fares of passengers carried therein, it should be credited to revenue account No. 8, "Other Passenger-Train Revenue." If the compensation includes the transportation of passengers at an agreed rate per capita, subject to a minimum amount, such part as represents fares of passengers actually carried should be credited to revenue account No. 2, "Passenger Revenue," and the remainder to revenue account No. 8, "Other Passenger-Train Revenue."

The mileage of the train should be reported as "Passenger Train-Miles" and the mileage of the cars as "Passenger Car-Miles."



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DECISIONS UPON QUESTIONS
RAISED UNDER THE
UNIFORM SYSTEM OF ACCOUNTS
FOR
ELECTRIC RAILWAYS
PRESCRIBED BY THE
INTERSTATE COMMERCE COMMISSION
IN ACCORDANCE WITH SECTION 20 OF THE
ACT TO REGULATE COMMERCE

Effective on July 1, 1915

(Supersedes Accounting Bulletin No. 7)



THE INTERSTATE COMMERCE COMMISSION.

CHARLES C. McCHORD, *of Kentucky.*

JUDSON C. CLEMENTS, *of Georgia.*

EDGAR E. CLARK, *of Iowa.*

JAMES S. HARLAN, *of Illinois.*

BALTHASAR H. MEYER, *of Wisconsin.*

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WINTHROP M. DANIELS, *of New Jersey.*

GEORGE B. MCGINTY, *Secretary.*

ORDER.

At a General Session of the INTERSTATE COMMERCE COMMISSION, held at its office in Washington, D. C., on the 25th day of May, A. D. 1915.

The subject of a Uniform System of Accounts to be prescribed for and kept by carriers being under consideration, the following order was entered:

It is ordered, That the interpretations of the accounting classifications contained in the Uniform System of Accounts for Electric Railways, prepared under the direction of this Commission and embodied in printed form to be hereafter known as Accounting Bulletin No. 9, a copy of which is now before this Commission, be, and the same is hereby, approved; that a copy thereof duly authenticated by the Secretary of the Commission be filed in its archives, and a second copy thereof, in like manner authenticated, in the office of the Division of Carriers' Accounts; and that each of said copies so authenticated and filed shall be deemed an original record thereof.

It is further ordered, That the accounting methods directed in the interpretations contained in the said Accounting Bulletin No. 9 be, and they are hereby, prescribed for the use of electric railways subject to the provisions of the Act to Regulate Commerce, as amended, in the keeping and recording of their accounts.

It is further ordered, That July 1, 1915, be, and it is hereby, fixed as the date on which the said Accounting Bulletin No. 9 shall become effective.

By the Commission.

[SEAL.]

GEORGE B. MCGINTY,
Secretary.

INTRODUCTORY LETTER.

INTERSTATE COMMERCE COMMISSION,
DIVISION OF CARRIERS' ACCOUNTS,
Washington, May 25, 1915.

TO ACCOUNTING OFFICERS OF ELECTRIC RAILWAYS:

In formulating the Uniform System of Accounts for Electric Railways, effective July 1, 1914, many of the cases published in Accounting Bulletin No. 7, issued under date of December 23, 1911, were included as a part of the text of the accounts affected. Accounting Bulletin No. 9, which is issued under order of the Commission, contains a revision of the previously published cases which it seems desirable to retain, and other cases which have been decided since the publication of Accounting Bulletin No. 7.

In the preparation of this bulletin the Commission has had the cooperation of the Committee on a Standard Classification of Accounts of the American Electric Railway Accountants' Association.

FRED W. SWENEY,
Chief Examiner of Accounts.



INTERSTATE COMMERCE COMMISSION ACCOUNTING BULLETIN NO. 9.

QUESTIONS AND DECISIONS.

CASE 1.

Query. Is it permissible for electric railways to renumber the primary accounts of the various classifications for their own convenience, provided the Interstate Commerce Commission numbers are maintained for proper reference and report?

Answer. It is permissible for electric railways to renumber the primary accounts of the various classifications for their own convenience. For the sake of uniformity, however, it is recommended that the account numbers of the classifications be used. It is suggested that companies of Class B and Class C, in numbering their operating expense accounts, combine the numbers used in the text of the classification of operating expenses; for example, the text for the account "Maintenance of track and roadway" for companies of Class B is covered by accounts Nos. 2 to 12, inclusive, and the suggested number would be 2/12; the text for account "Maintenance of way" for companies of Class C is covered by accounts Nos. 2 to 19, inclusive, and the suggested number would be 2/19.

CASE 2.

Query. Is it proper to charge assessments for construction and maintenance of paving to income account No. 215, "Taxes assignable to railway operations"?

Answer. No. Account No. 511, "Paving," in the classification for road and equipment accounts provides for the cost of paving incident to original track construction, while account No. 10, "Paving," in the classification of operating expenses provides for repairs of such paving. (*See Cases 85 and 161.*)

CASE 3.

Query. Are carriers required to keep subaccounts for paragraphs (a) to (f) under account No. 22, "Distribution system," of the classification of operating expenses; or will it be satisfactory to show the cost in total under this account?

Answer. The Commission does not require the subdivision of account No. 22, "Distribution system," but any carrier desiring to do so may make subdivisions, and keep corresponding subprimary accounts, provided they do not impair the integrity of the account prescribed.

CASE 4.

Query. To what account should an electric railway charge the wages of employees, and the cost of repairs, fuel, water, lubricants, and waste, incident to the operation of a steam locomotive and of gasoline and steam motor cars used regularly as rail equipment?

Answer. If the equipment is used in revenue service, the wages of employees shall be charged to operating expense account No. 75, "Operation of steam locomotives."

The cost of repairs to the steam locomotive and to the locomotive features of gasoline and steam motor cars shall be charged to account No. 34, "Locomotives," and the cost of repairs to the car features of the motor cars shall be charged to account No. 30, "Passenger and combination cars," or account No. 31, "Freight, express, and mail cars," as may be appropriate.

The cost of fuel, water, lubricants, and waste shall be charged to account No. 75, "Operation of steam locomotives."

If the steam locomotive and the motor cars are used in nonrevenue service, the expenses shall be accounted for in the same manner as those for service cars. (*See Case 182.*)

CASE 5.

Query. Should motors for air governors and pumps on cars be regarded as part of the electrical equipment, and the cost of repairs thereof be charged to account No. 33, "Electric equipment of cars"?

Answer. No. The electric equipment of cars includes the electric *motors* equipment and wiring. The term "car" includes the car body and trucks, electric bells and wiring, electric heaters and wiring, electric lights and wiring, and air-brake equipment and wiring. Repairs to motors for air governors and pumps on cars shall, therefore, be charged to operating expense account No. 30, "Passenger and combination cars"; No. 31, "Freight, express, and mail cars"; No. 32, "Service equipment"; or No. 34, "Locomotives."

CASE 6.

Query. Are electric railways at liberty to open clearing accounts for store expenses and apportion them on a basis of material issued? If so, should only the amounts chargeable to Operating Expenses be charged to account No. 95, "Store expenses," and so reported to the Commission; or should this account also include expenses incurred in connection with material issued for construction and betterments?

Answer. Electric railways are at liberty to open clearing accounts for store expenses and apportion the amounts charged thereto. The total amount chargeable to Operating Expenses shall be charged to account No. 95, "Store expenses." Account No. 95 should not include expenses incurred primarily in connection with material issued for construction or for additions and betterments.

Carriers are at liberty to distribute for their own purposes items covered by this account to other operating expense accounts affected, but in their reports to the Commission the entire amount of store expenses chargeable to Operating Expenses shall be reported under account No. 95.

CASE 7.

Query. Please explain the various accounts "Other operations—Dr." and "Cr.," contained in the classification of operating expenses.

In connection with these accounts, it is understood that account No. 59, "Power purchased," shall show the total amount expended for this purpose, and that the amounts used for lighting shops, carhouses, etc., may be charged to the accounts affected and offsetting credits made to account No. 61, "Power transferred—Credit." Is this correct?

Answer. The accounts "Other operations—Dr." and "Other operations—Cr." are to be used by electric railways which engage in other lines of business, such as the production of power and light for sale. The proportion of operating expense chargeable to the light or other departments shall be credited to the various accounts "Other operations—Cr."

The cost of producing power, irrespective of the manner in which it is used, shall be included in the primary accounts of the railway department. Account No. 59, "Power purchased," covers the cost of power purchased from other companies.

Account No. 61, "Power transferred—Credit," the use of which is optional, may be credited with that proportion of the total of the accounts under the general account Power which the power used for lighting, heating, or other purposes in shops, carhouses, etc., bears to the total power generated and purchased.

CASE 8.

Query. To what account should be charged rent paid for land on which is located a carhouse used as a regular operating carhouse?

Answer. To income account No. 217, "Miscellaneous rents."

CASE 9.

Query. Account No. 550, "Miscellaneous," in the classification for road and equipment, covers, among other things, the cost of preparing and issuing stock certificates and expenses incurred in the disposal of securities. Will it be correct to charge to this account expenses of this nature when they relate to the issuance of bonds by an operating electric railway company for construction and for additions and betterments?

Answer. No. Expenses incident to the issue and sale of bonds shall be handled in accordance with instructions contained in section 3, page 76, of the Uniform System of Accounts for Electric Railways.

CASE 10.

Query. Please explain account No. 87, "Relief department expenses." Also please advise to what account should be charged an employee's wages paid while he is suffering from an injury and is not able to work.

Answer. Account No. 87, "Relief department expenses," is intended to include the cost of operation of and contributions to a relief department or association. Wages paid to an employee while he is disabled by an injury shall be charged to account No. 92, "Injuries and damages," if the injury occurred while the employee was on duty or if the company was responsible. Voluntary contributions made to employees or families of employees on account of sickness or other disability shall be charged to account No. 88, "Pensions and gratuities."

CASE 11.

Query. We have installed in our different carhouses some large storage tanks for compressed air. The compressed air is used in filling air tanks on cars for the operation of brakes. To what account should we charge the maintenance and operation of the storage tanks?

Answer. The cost of maintenance shall be charged to account No. 36, "Shop equipment," and the cost of operation to account No. 67, "Miscellaneous car-service expenses."

CASE 12.

Query. To what account should be charged the cost of printing expense bills, balance sheets, and other stationery used in the handling of express and freight business incident to the operation of an electric railway?

To what account should be charged printing and stationery used by clerks whose salaries are charged to account No. 1, "Superintendence of way and

structures"; account No. 29, "Superintendence of equipment"; account No. 45, "Superintendence of power"; and account No. 63, "Superintendence of transportation"?

To what account should be charged the cost of printing conductors' daily reports (trip sheets) and shortage notices?

Answer. The cost of expense bills, balance sheets, and all other stationery named above shall be charged to account No. 94, "Stationery and printing." By referring to the notes under account No. 94 it will be found that carriers are at liberty to distribute items included therein but that all reports to the Commission must agree with the accounts which are prescribed.

CASE 13.

Query. We have on our lines foreign cars on which we pay a per diem charge. To what account should an expense of this nature be charged? To what account should be charged the maintenance of such cars while on our tracks?

Answer. Per diem on foreign cars shall be charged to account No. 98, "Rent of equipment," and the maintenance of such cars while on your tracks to account No. 30, "Passenger and combination cars"; No. 31, "Freight, express, and mail cars"; No. 32, "Service equipment"; or No. 33, "Electric equipment of cars," as may be appropriate. (*See Case 133.*)

CASE 14.

Query. We have electric cars equipped and used as pile driver, steam shovel, concrete mixer, and stone crusher. To what accounts should be charged the maintenance of these cars and the machinery?

Answer. The maintenance of such cars and machinery shall be charged as may be appropriate to account No. 32, "Service equipment," or account No. 33, "Electric equipment of cars," except when the cars are used on work not chargeable to Operating Expenses. (*See Case 131.*)

CASE 15.

Query. To what account should an electric railway charge commissions and wages paid for the sale of school and other tickets at various stores along the line?

Answer. If the tickets are sold at stores which can be considered stations, charge commissions and wages paid to account No. 68, "Station employees"; if the stores can not be considered stations, charge to account No. 79, "Superintendence and solicitation."

CASE 16.

Query. To what account should be charged the salary and expenses of a supervising engineer in charge of the construction of a new line and buildings, and of the installation of machinery in power plants? It is not clear to us whether these expenses should be charged to account No. 501, "Engineering and superintendence," or charged directly to the account for which incurred, in accordance with Note A.

Answer. If the engineer has direct supervision over all the work in connection with the construction of a new line, it will probably not be possible to apportion his salary and expenses among the various construction accounts. Charges shall, therefore, be made to account No. 501, "Engineering and superintendence," in the classification for road and equipment.

Note A, under account No. 501, provides that, whenever it is possible, the expenses shall be charged directly to the account for which they are incurred,

as, for example, "Power plant buildings" or "Shops and carhouses." However, it is not the intention to insist upon any undue refinement in accounting for such matters.

CASE 17.

Query. We note that the accounts "Interest and discount" and "Taxes," formerly carried by many companies in their general expenses, have been dropped from the operating expenses in the Uniform System of Accounts. What is the proper accounting for such items?

Answer. Interest, discount, and taxes, arising in connection with operations, shall be included in the appropriate accounts of the income classification. Interest in connection with expenditures for road and equipment shall be included in primary account No. 547, "Interest during construction."

CASE 18.

Query. This company's tower wagon is frequently used in connection with the construction of electric lines along new tracks, and it has been our custom to credit to "Stable expenses" the cost of the service. Is this correct?

Answer. The expenses of repair or tower wagons which are frequently used in construction work shall be apportioned between maintenance and construction accounts in accordance with the use to which the wagons are put. If expenses properly chargeable to construction are included in account No. 38, "Vehicles and horses," or account No. 96, "Garage and stable expenses," these accounts shall be credited and the appropriate construction account charged.

CASE 19.

Query. A railway company's shop performs services properly chargeable to various construction accounts and to other companies and persons. To what account should be credited the overhead expense added to the cost of labor and material to cover a portion of miscellaneous shop and storeroom expenses?

Answer. Such expense shall be credited to the proper accounts under Operating Expenses.

CASE 20.

Query. To what accounts should charges be made for—

(1) Rents paid for the right to locate tracks and to operate cars on private property.

(2) Amounts paid periodically for privilege of locating poles on private property for high-tension lines.

(3) Amounts paid periodically to municipalities for the right to operate cars on and across streets.

(4) Amounts paid periodically to boards of public works and county officers for the right to operate cars on and across public highways.

Answer. (1) Charge to account No. 217, "Miscellaneous rents."

(2) Charge to account No. 49, "Transmission system."

(3) and (4) Charge to account No. 215, "Taxes assignable to railway operations," in the income classification.

CASE 21.

Query. To what account or accounts should be credited charges made against operation and construction accounts for electricity furnished by an electric railway company for the use of its shop motors, carhouse lighting, running of construction cars engaged in company service such as building new tracks, etc.?

Answer. The classification of operating expenses does not require a segregation of the cost of power to shops, carhouses, etc., although account No. 61, "Power transferred—Credit," the use of which is optional, is provided for use if such segregation is desired.

The Commission's order provides on page 6 of the Uniform System of Accounts that any carrier may "keep any temporary or experimental accounts the purpose of which is to develop the efficiency of operation: provided, however, that such temporary or experimental accounts shall not impair the integrity of any primary account hereby prescribed." It is therefore permissible for any carrier to ascertain for its own information the cost of power used at shops or carhouses.

The actual cost of power used in operating work cars for construction purposes, such as building new tracks, etc., is properly chargeable to construction accounts, and proper credit shall be given to operating expense general account VII, Transportation for Investment—Cr. (*See Case 59.*)

CASE 22.

Query. A large percentage of the purchases made by the purchasing department of this company is for construction and betterment purposes. Would it be permissible to charge to the appropriate road and equipment accounts such a proportion of the salaries and expenses of that department as would fairly represent the expense of the purchases made primarily for such construction and betterments?

Answer. The classification of operating expenses is intended to cover operating expenses only, and it is proper to charge to the appropriate road and equipment accounts such a proportion of the salaries and expenses of purchasing agents and assistants as would fairly represent the expense of the purchases made for such construction and betterments. In the consideration of this question account No. 95, "Store expenses," should not be overlooked. (*See Case 6.*)

CASE 23.

Query. A company conducting a railway, power, and light business carries its general accounts in the power and light department. A monthly charge for power is made to the street railway department and to the light department. Are the monthly charges for power to the light and street railway departments satisfactory? Is a single balance sheet for the entire business permissible?

Answer. Each company conducting a railway, power, and light business shall include all expenses incident to the production of power used by the railway, power, and light departments in primary accounts Nos. 45 to 62, inclusive, under the general account Power. The proportion of the cost of such power assignable to the power and light departments shall be cleared through primary account No. 62, "Other operations—Cr.," in accordance with instructions contained in section 4, page 17, of the Uniform System of Accounts for Electric Railways.

The Commission has not prescribed a classification of revenues and expenses for auxiliary operations of electric railways.

One balance sheet is all that is necessary for the entire business described in this query.

CASE 24.

Query. To what account should be charged payments made to the Government, on the basis of a specific charge per passenger, for the privilege of stringing wires and operating cars over a public bridge?

Answer. To account No. 215, "Taxes assignable to railway operations." (*See Cases 67 and 163.*)

CASE 25.

Query. What disposition should be made of custom labor or labor of employees in various departments on work entirely outside of railway operation, for which the railroad is reimbursed the wages of the employees, together with the profit on same and the general shop expenses?

What disposition should be made of profits on new material sold to some outside concern from storeroom stock which has been handled in sales account?

Answer. Assuming that the amount involved in the custom labor account is small, and that the expenses have been charged to operating accounts, items covering labor performed for outside parties, together with the percentage added for profit and general shop expenses, shall be debited to account No. 410, "Miscellaneous accounts receivable," and credited to the operating expense accounts originally charged.

The profit from the sales account shall be credited to account No. 212, "Miscellaneous income."

CASE 26.

Query. To what accounts should be charged the cost of new structures and general improvements in a free private park owned by the carrier, and the maintenance expenses of such a park?

Answer. The cost of new structures and improvements of a substantial character shall be charged to account No. 526, "Park and resort property," in the classification for road and equipment.

Maintenance expenses shall be charged to operating expense account No. 81, "Parks, resorts, and attractions."

CASE 27.

Query. A company organized for purely local street railway business and having no electric-light or gas department and no joint arrangement with any other company in the operation of cars, requests information as to the manner in which the accounts "Other operations—Dr." and "Other operations—Cr." in various parts of the classification of operating expenses would enter into its records.

Answer. From the foregoing statement it is evident that the company will not require the accounts "Other operations—Dr." and "Other operations—Cr." It is not expected that a carrier will keep on its books any accounts for which it has no need.

CASE 28.

Query. A light and traction company operates gas, electric-light, and street railway properties. The operating expenses of the three coordinate departments are kept entirely separate, except the general expenses, consisting of clerical salaries, rent, and office supplies. Will it be satisfactory to the Commission if the company should continue carrying expenses of this character in one account covering all departments?

Answer. Yes, provided such account is reported in detail, according to the primary accounts provided under General and Miscellaneous in the annual report form and the proportion chargeable to other departments is reported in account No. 100, "Other operations—Cr."

If the light department is accounted for as an auxiliary operation, the taxes on the property used by such department shall be charged to account No. 215, "Taxes assignable to railway operations." If the property used in the production of gas is carried in account No. 404, "Miscellaneous physical property," the taxes on such property shall be charged to account No. 205, "Net income from miscellaneous physical property," or No. 219, "Net loss on miscellaneous physical property," as may be appropriate.

CASE 29.

Query. We are charging to account No. 59, "Power purchased," the actual cost of electric current generated at our plant (gas, electric-light, and street railway property) and consumed by the railway department. Is this correct?

Answer. The practice above outlined is not in accordance with the requirements of the classification of operating expenses. All expenses incident to the production of power shall be charged to the appropriate primary accounts (Nos. 45 to 62, inclusive) under the railway department general account Power, and the amounts chargeable to the other departments, representing their proportions of the cost of power furnished, shall be cleared through account No. 62, "Other operations—Cr." Account No. 59, "Power purchased," is intended to include amounts paid for power purchased from other companies. (See Case 28.)

CASE 30.

Query. This company operates a sprinkler car for the purpose of sprinkling certain streets and highways on which our track is laid. The city in which this service is performed pays us, as its proportion of the cost of this service, from 15 to 20 cents per sprinkler car-mile run. Please advise to what accounts the corresponding debits and credits should be made.

Answer. The amount received from the city shall be credited to revenue account No. 109, "Miscellaneous transportation revenue."

If the service rendered is performed primarily for revenue purposes, the expense of operating the sprinkler car shall be charged to the appropriate expense accounts under the general account Conducting Transportation. If, however, the service is performed primarily for the benefit of the railway and the amount received from the city is only incidental, the expense of operating the sprinkler car shall be charged to operating expense account No. 11, "Cleaning and sanding track."

In either case the cost of repairing the car shall be charged to account No. 32, "Service equipment."

CASE 31.

Query. Is there not a conflict between account No. 511, "Paving," and account No. 516, "Crossings, fences, and signs," in the classification for road and equipment, so far as they refer to labor and material on crosswalks?

Answer. There is no conflict between the accounts mentioned. Account No. 511 embraces the expense of labor and material used in crosswalks constructed in connection with paving on streets along which the electric road extends; while account No. 516 covers street and highway crossings at other points where it may be necessary to construct entirely new crossings or to provide crossings of an improved character over those previously existing.

CASE 32.

Query. To what operating expense account should be charged the cost of labor and material used in connection with the repair of overhead contacts installed in the trolley wire, and repair of wiring leading from the trolley to magnets, etc., which operate an electric track switch, a device for automatically doing the work of a switchman through the operation of the magnets?

Answer. The cost of material shall be charged to account No. 6, "Special work," and the cost of labor to account No. 8, "Track and roadway labor."

CASE 33.

Query. To what account should be charged an amount paid for rent of land on which a Y or switch is located?

Answer. To account No. 217, "Miscellaneous rents."

CASE 34.

Query. This company has an arrangement with telephone, telegraph, and electric-lighting companies, whereby it pays amounts for the privilege of making attachments to their poles for carrying its wires, and collects from them other amounts for attachments to its poles for carrying their cables and wires. To what accounts should the resulting debits and credits be made?

Answer. Charge the amounts paid to operating expense account No. 23, "Miscellaneous electric line expenses," or to No. 49, "Transmission system," according to the character of line, and credit the amounts received to revenue account No. 117, "Rent of buildings and other property."

CASE 35.

Query. To what account should be charged the cost of *material* used in the construction of a retaining wall for the protection of banks from high tides, it being understood that account No. 8, "Track and roadway labor," is intended to cover the cost of labor expended in such work?

Answer. Operating expense account No. 8, "Track and roadway labor," is intended to cover the cost of *labor* expended in "protecting banks by retaining walls, riprap, piling, piers, dikes, or other means." The cost of *material* used in connection with such work properly chargeable to Operating Expenses shall be charged to account No. 9, "Miscellaneous track and roadway expenses."

Expenditures of the above nature arising in connection with the construction of a new road shall be charged to account No. 504, "Grading," in the classification for road and equipment.

CASE 36.

Query. To what account should be charged the cost of *material* used in the track material, part of which is for use in repairs of track, but most of which is for use in the construction of new track?

Answer. If the amount of the rent is considerable, it shall be apportioned upon an equitable basis, the proportion assignable to construction being included in road and equipment account No. 529, "Other expenditures—Way and structures," and the proportion assignable to repairs included in income account No. 217, "Miscellaneous rents."

If it be impracticable to divide the rent as between construction and repairs, and the amount involved is small, the entire amount may be included in income account No. 217, "Miscellaneous rents."

CASE 37.

Query. This company owns a nine-story building. One-third of the ground floor is used for tracks for cars running into and out of the building, waiting room, ticket office, etc., and the remainder is rented for store purposes, concessions, etc. The general offices occupy about one floor, and the remaining floors are rented for office purposes. Should rents received from tenants be credited as operating revenues or as miscellaneous income?

Answer. Rents shall be credited to revenue account No. 117, "Rent of buildings and other property," if the expense of maintaining and operating the portions rented can not be separated from the expense of maintaining and operating the portion used by the railway company.

In case the expense of maintaining and operating the portions rented can be separated from the expense of maintaining and operating the portion used by the railway company, the rents received shall be included in income account No. 204, "Miscellaneous rent income," and not in Operating Revenues, and the expense of maintaining and operating the rented portions shall be charged against the rents received.

CASE 38.

Query. We are in doubt as to the proper account to be charged for trolley parts, namely, wheels, axles, washers, springs, harps, poles, bushings, etc., and for carbon brushes, carbons, headlight parts, etc. Should these items be charged to accounts Nos. 30 to 34, inclusive, or to account No. 67, "Miscellaneous car-service expenses"?

Answer. Trolley parts are to be considered as electric motive equipment and, if for repairs thereof, shall be charged to account No. 33, "Electric equipment of cars," or No. 34, "Locomotives," as may be appropriate. The first cost of such parts shall be charged to account No. 533, "Electric equipment of cars," or No. 534, "Locomotives."

Headlight parts for cars are to be considered as parts of the cars and, if for repairs, shall be charged to account No. 30, "Passenger and combination cars," No. 31, "Freight, express, and mail cars," or No. 32, "Service equipment," as may be appropriate. The first cost shall be charged to like accounts in Road and Equipment.

Carbons for electric-arc headlights and carbon brushes for motors of cars shall be charged to account No. 67, "Miscellaneous car-service expenses," to which account are chargeable only such items as do not pertain to maintenance of equipment.

The following indicates the line of demarcation between the electric equipment of a car and the car: "Electric equipment" of a car includes the electric *motive* equipment and wiring; the term "car" includes the car body and trucks, electric bells and wiring, electric heaters and wiring, electric lights and wiring, and air-brake equipment and wiring.

CASE 39.

Query. Are Classes B and C of electric railways required to keep all the accounts composing the classifications of road and equipment, operating revenue, income, profit and loss, and general balance-sheet accounts, as is required of Class A companies?

Answer. All electric railways subject to the jurisdiction of the Commission are required to keep their road and equipment, operating revenue, income, profit and loss, and general balance-sheet accounts under the same classifications, no condensed classification of such accounts being provided for companies of Class B or Class C.

CASE 40.

Query. What is meant by the term "car hours" as used in the mileage, traffic, and miscellaneous statistics of the form for annual report, particularly with reference to "passenger car hours"?

Answer. "Passenger car hours" include not only the actual time while in revenue service, but also the time consumed in running from carhouses to points

where regular service is begun, time lost between trips, and time lost on account of delays caused by blockades, parades, etc. The entire time during which the cars are in charge of the motormen and conductors is to be reported as passenger car hours.

CASE 41.

Query. Is it permissible to apportion store and stable expenses among the water, light, and railway departments in proportion to the services rendered by the storeroom and the stables?

Answer. Yes. The proportion of store and stable expenses chargeable to the water and light departments shall be credited to account No. 100, "Other operations—Cr." it being the intention that the "other operations" accounts shall apply in connection with all general and miscellaneous accounts.

Carriers are at liberty to distribute store and stable expenses of the railway department to the various operating expense accounts affected, but for the purpose of the annual reports the amounts distributed shall be reported under account No. 95, "Store expenses," and No. 96, "Garage and stable expenses," and such amounts eliminated from the accounts to which they were originally distributed.

In this connection attention is called to the fact that no portion of store expenses or stable expenses which is properly chargeable to Road and Equipment shall be included in accounts Nos. 95 and 96, as these accounts are intended to include operating expenses only. (*See Case 6.*)

CASE 42.

Query. A company is required by its franchise to widen one of the streets upon which it operates, and pay all expenses of excavating, moving back and resetting curbs, constructing new catch basins with sewer connections, adjusting all sidewalks and crosswalks disturbed, readjusting all pole lines, hydrants, etc., owned by other corporations, and laying a new asphalt pavement between the brick-paved railroad strip and the curbs. Would it be proper to consider this as an incidental cost of the road itself and chargeable to account No. 502, "Right of way"; or should the cost be charged to account No. 550, "Miscellaneous"?

Answer. The cost shall be charged to account No. 502, "Right of way," except cost of paving, which shall be charged to account No. 511, "Paving." (*See Cases 84 and 154.*)

CASE 43.

Query. Is it intended that account No. 24, "Buildings, fixtures, and grounds," shall be used solely for repairs of owned buildings, or may the cost of repairs to rented buildings be included?

Answer. Account No. 24, "Buildings, fixtures, and grounds," is intended to include cost of repairs of owned buildings or buildings held under long-term leases. The cost of repairs of buildings rented from month to month is not to be included in this account, but shall be charged to the account to which the rent is charged.

CASE 44.

Query. Should repairs to rented passenger waiting rooms where tickets are sold be charged to account No. 69, "Station expenses"?

Answer. Yes. (*See Case 43 respecting repairs to buildings held under long-term leases.*)

CASE 45.

Query. We have a contract with another carrier under which the other carrier provides cars and maintains them for the purpose of furnishing through service. While these cars are on our tracks we pay all expenses of operation.

The junction point is a fare limit. Each company collects fares for travel upon its own tracks. We retain all fares collected from passengers who travel only between points on our line, but we pay to the other company a certain part of the fares collected by our company from passengers who travel between points on our line and points beyond the junction. How shall we charge amounts paid under this contract?

Answer. As the payor receives only the use of equipment the amounts so paid shall be charged to account No. 98, "Rent of equipment."

CASE 46.

Query. In account No. 519, "Poles and fixtures," in the classification for road and equipment is the statement "This account shall include the cost of * * brackets and other pole fixtures; * * structures for supporting the overhead electric construction." In account No. 521, "Distribution system," in the same classification is the statement "This account shall include the cost of labor and material used in constructing the distribution system, including * * overhead trolley lines, including cost of trolley, guard, span, strain, supplementary, and other wires." Since brackets used for supporting trolley wires are analogous to span wires, should not the cost of such brackets be charged to account No. 521, "Distribution system"?

Answer. Brackets used for supporting trolley wires are distinctly pole fixtures and shall be charged to account No. 519, "Poles and fixtures."

The phrase "structures for supporting the overhead electric construction" in account No. 519, is intended to cover such structures as steel catenary bridges, which are used by some railways to carry the double-track overhead lines and which have two side towers and a connecting truss built of light angles and channels.

CASE 47.

Query. Our master mechanic asks that we define the term "electric locomotive" in relation to the classification of operating expenses, his desire being to know whether the build of the machine or the use to which it is put governs. We have a machine with standard express car body, but with low-speed high-power motor equipment, which is used in handling ballast cars, flat cars, etc., in maintenance work, and sometimes in hauling such freight as lumber, wood, etc., in car lots.

Answer. In defining the term "electric locomotive" the build of the machine, rather than the use to which it is put, should govern. If it is so arranged that it can carry freight or passengers within itself it shall be considered a car.

This distinction seems necessary, as it frequently happens that regular passenger cars, freight cars, or work cars are used to haul other cars. To treat them as locomotives, when so used, would undoubtedly lead to confusion.

CASE 48.

Query. To what account in the classification for road and equipment should be charged the cost of electric headlights for passenger cars?

Answer. To account No. 530, "Passenger and combination cars." Account No. 533, "Electric equipment of cars," is intended to include only the electric motive equipment. (See Case 5.)

CASE 49.

Query. The classification of operating revenues provides in account No. 101, "Passenger revenue," under the caption Revenue from Transportation: "To this account shall be charged amounts paid for * * * tickets and transfers redeemed." In Note B it is provided that all tickets may be credited to an open account and this account charged when tickets are collected. In case tickets are redeemed, should they not be charged to the open account to which the sale has been credited?

Answer. When receipts from the sale of tickets are credited to a suspense account, that account shall also be charged with amounts paid for tickets redeemed.

CASE 50.

Query. Note B under revenue account No. 101, "Passenger revenue," states that the proceeds from the sale of mileage books are to be carried to that account as they are honored for transportation. We have always handled the sale of these tickets by crediting directly to revenue, the same as we would round-trip tickets. Is it required that interurban companies reporting to the Commission shall follow the directions in account No. 101?

To what account should be credited the value of coupons from mileage books which for any reason remain unrepresented?

Answer. It is not permissible to credit revenue account No. 101, "Passenger revenue," with receipts from mileage books at the time of sale. It is necessary to credit, at the time of sale, the receipts from mileage books to a suspense account under balance-sheet account No. 446, "Other unadjusted credits," and, as the mileage is honored, to charge such account and credit account No. 101, "Passenger revenue," in accordance with Note B of that account.

The value of unrepresented mileage coupons, the validity of which has expired, shall be credited to account No. 101, "Passenger revenue."

CASE 51.

Query. Should the cost of tools used in the maintenance of way and structures, including those used in the repairs of bridges and buildings, interlocking systems, transmission and distribution systems, and the cost of crucibles, etc., used in connection with a thermit welding machine, be charged to account No. 9, except as provided in accounts Nos. 11 and 12?

Answer. Account No. 9, "Miscellaneous track and roadway expenses," includes only the "cost of roadway tools when chargeable to Operating Expenses; material used in repairing tools, velocipedes, hand and push cars, implements, flags, lanterns, etc., used when repairing track and roadway." This would include crucibles, etc., used in connection with a thermit welding machine.

The cost of renewing and repairing tools shall be charged to account No. 15, "Bridges, trestles, and culverts," if the tools are used in the maintenance of bridges; to account No. 17, "Signal and interlocking apparatus," if used in the maintenance of interlocking systems; to account No. 23, "Miscellaneous electric line expenses," if used in the maintenance of the distribution system; to account No. 24, "Buildings, fixtures, and grounds," if used in the maintenance of buildings named in that account; to account No. 46, "Power plant buildings, fixtures, and grounds," if used in the maintenance of power plant and substation buildings; and to account No. 49, "Transmission system," if used in the maintenance of the transmission system.

It is not necessary to apportion among a number of accounts the cost of maintenance of tools used for general purposes.

CASE 52.

Query. A conductor on one of our cars, in discharge of his duty, ejected an unruly passenger who refused to pay fare. In doing so the conductor was injured to such an extent that he was unable to attend to his duties for some time. It has been decided to pay the conductor for all the time lost. Is this a proper charge to account No. 92, "Injuries and damages" ?

Answer. The payment shall be charged to account No. 92, "Injuries and damages." (*See Cases 10 and 110.*)

CASE 53.

Query. Please advise if premiums paid to guaranty companies for bonds furnished municipalities in accordance with franchises granted for the privilege of constructing and operating railroads on the streets should be charged to account No. 98, "Insurance," in the classification of operating expenses. The bonds referred to are given for the faithful performance of all the terms of the franchise, including the construction of the line, the payment of a percentage of the gross receipts, and the maintenance and operation of the line. The bonds are continuous and run during the life of the franchise.

Answer. Such payments shall be charged to account No. 550, "Miscellaneous," in the classification for road and equipment, when they are incurred in connection with construction work; and to account No. 89, "Miscellaneous general expenses," in the classification of operating expenses, when they are incurred in connection with operation.

CASE 54.

Query. This company uses large numbers of portable iron signs, which are hooked on the fronts of the cars to indicate the destination. They are in nowise permanent fixtures of the cars, but are used on different cars as occasion requires. On some of our new cars we have adjustable signs which consist of rolls with various destinations painted thereon and are essential parts of the cars themselves. To which accounts should the cost of these signs be charged?

Answer. The portable signs shall be charged to account No. 67, "Miscellaneous car-service expenses." The first cost of the adjustable signs attached to the cars shall be charged to account No. 530, "Passenger and combination cars," and the maintenance to account No. 80, "Passenger and combination cars."

CASE 55.

Query. Should the wages of engineers and other employees engaged in operating power plants and substations be charged to repair accounts when they are engaged in making minor repairs during their regular hours?

Answer. It is not intended that any portion of the wages of engineers and other employees engaged in station operation shall be charged to repair accounts when they are engaged incidentally in making minor repairs during their regular shifts.

As a general rule, it is not necessary to distribute the wages of a regular employee to the several accounts affected if part of his time is devoted only incidentally to repair work. If, however, he is required to devote a considerable part of his time to such repairs, his wages shall be apportioned to the proper accounts in accordance with the work performed. (*See Cases 109, 181, and 187.*)

CASE 56.

Query. To what account should be charged the cost of printing tariffs, and the cost of printing orders for conductors and motormen in connection with transportation rules, regulations, etc.?

Answer. To account No. 94, "Stationery and printing."

CASE 57.

Query. We have a track that is "plain back filled," that is, filled with crushed stone to the top of the rails. Strictly speaking, it is not ballast, although in many instances, it would be hard to distinguish it from ballast. Should the cost of this filling be charged to account No. 2, "Ballast," or to account No. 9, "Miscellaneous track and roadway expenses"?

Answer. The cost of filling track with crushed stone to the top of the rails shall be charged, when in connection with maintenance, to account No. 2, "Ballast," as regards material, and to account No. 8, "Track and roadway labor," as regards labor.

CASE 58.

Query. Under our contract for carrying the mail we are required to transfer the mail at certain points from the cars to the post-office. To what account shall we charge the cost of this service?

Answer. Specific payments for this service shall be charged to account No. 78, "Other transportation expenses."

CASE 59.

Query. Since commencing operations we have considered the policy of charging our several departments at a rate per car-hour for the use of work cars in order that the department head would have it brought forcibly to his attention that the work cars should be used as little as possible. Is this permissible?

If equipment is rented to a contractor, the company furnishing employees to operate the same, to what account shall be credited the amounts received from the contractor?

Answer. No charge shall be made against maintenance or other operating accounts for the use of work cars. If work cars are used on construction work by the company itself, and a charge is made against construction accounts therefor, it shall be as near actual cost as possible, and credit shall be given to operating expense general account Transportation for Investment—Cr.

When a charge is made against a contractor for use of equipment, credit shall be given to revenue account No. 116, "Rent of equipment." The wages of conductors, motormen, and other employees engaged on work cars rented to contractors shall be charged to account No. 66, "Miscellaneous car-service employees." (See Cases 21 and 30.)

CASE 60.

Query. Notes under operating expense accounts Nos. 3, 4, 5, 6, and 7 provide that the cost of labor shall be charged to account No. 8. If this refers to the first handling of material from cars or boats to yards or docks, it will be difficult, if not impossible, to separate that portion properly chargeable to Operating Expenses from that chargeable as expenditure for road, as it will not be possible when the material is received to tell which part of the material will be used in repairs and which part in construction. This labor has always been considered as part of the cost of material. Should it not be so considered?

Answer. The notes under the accounts mentioned do not refer to the first handling of material from cars or boats to yards or docks, but to the unloading at the points where the material is to be used. The cost of the first handling is properly chargeable to the cost of the material.

CASE 61.

Query. Should the cost of labor and materials, such as special grubbing tools, liquid weed-killer, and sprinkling devices, used in clearing track and right of way of weeds, be charged to account No. 11, "Cleaning and sanding track"?

Answer. The cost of material shall be charged to account No. 9, "Miscellaneous track and roadway expenses," and the cost of labor to account No. 8, "Track and roadway labor."

CASE 62.

Query. To what account should be charged the cost of planks used in crossings of steam railroads in city streets?

Answer. If the planks are used in maintenance, the cost shall be charged to account No. 16, "Crossings, fences, and signs," in the classification of operating expenses; if used in construction, to account No. 516, "Crossings, fences, and signs," in the classification for road and equipment.

CASE 63.

Query. To what account should be charged the cost of wooden plugs used for filling spike holes in ties?

Answer. To account No. 8, "Ties."

CASE 64.

Query. Should the wages of levermen on derailleurs at steam railroad crossings be charged to "Miscellaneous car-service employees" or to "Operation of signal and interlocking apparatus"?

Answer. To account No. 72, "Operation of signal and interlocking apparatus."

CASE 65.

Query. To what account should be charged cost of removing car ashes from cars to dump?

Answer. If removal is made by company employees, the cost shall be charged to account No. 70, "Carhouse employees"; otherwise to account No. 67, "Miscellaneous car-service expenses."

CASE 66.

Query. Please advise whether the salaries of accounting department clerks engaged in handling the accounts of the maintenance of way, mechanical, and stores departments should be charged to account No. 84, "Salaries and expenses of general office clerks," or apportioned to accounts No. 1, "Superintendence of way and structures," No. 29, "Superintendence of equipment," No. 45, "Superintendence of power," and No. 95, "Store expenses."

Answer. Assuming that the clerks in question, although exclusively engaged in handling the accounts pertaining to separate departments, are employed in the general accounting office, their salaries shall be charged to account No. 84, "Salaries and expenses of general office clerks."

CASE 67.

Query. Should amounts paid to cities for licenses to operate cars within city limits, and payments based on percentage of gross receipts in accordance with the terms of franchises, be charged as taxes?

Answer. Payments to municipalities for privilege of operating cars (license tax) and payments of a percentage of operating revenues in accordance with terms of franchises (franchise tax) shall both be charged to account No. 215, "Taxes assignable to railway operations." (See Cases 20, 24, and 163.)

CASE 68.

Query. A ruling is desired as to the proper accounts to be charged with amounts paid for telephone service, such as for tolls, and for rent of private lines and operating systems. They appear to be in the nature of miscellaneous expenses chargeable to the department for whose benefit the expenses are incurred.

Answer. Rent of telephone lines used primarily for the operation of cars shall be charged to account No. 73, "Operation of telephone and telegraph lines"; amounts paid for local telephone service at stations to account No. 69, "Station expenses"; and all other telephone expenses to account No. 89, "Miscellaneous general expenses." (See Cases 149, 167, and 235.)

CASE 69.

Query. At different points on our line we have electric lights, some of which have been installed in accordance with our franchise agreements, others because of the necessity of providing lights for the safety of our passengers. To what account should be charged the labor and material used in repairing and renewing such lights?

Answer. The cost of repairing and renewing lights along tracks, either in accordance with franchise agreements or for the purpose of avoiding accidents, shall be charged to account No. 78, "Other transportation expenses." In the case of lights installed at stations owned by a company, the cost of repairing and renewing wiring in connection with such lights shall be charged to account No. 24, "Buildings, fixtures, and grounds," and the cost of renewing the lamps to account No. 69, "Station expenses."

If, however, the station is rented, the entire expense shall be charged to account No. 69. If it is not practicable to separate the expense of renewing and repairing the wiring from that of renewing the lamps at stations owned by a company, the entire cost may be included in account No. 69.

CASE 70.

Query. Our franchise for the use of a county bridge carries an obligation to pay a proportion of the cost of bridge maintenance and operation. How shall we charge such payments?

Answer. The cost of maintaining a bridge used under long-term lease or franchise shall be treated the same as maintenance of property owned. With this understanding, the maintenance of the bridge in question shall be charged to account No. 15, "Bridges, trestles, and culverts," and the cost of any paving done shall be charged to account No. 10, "Paving." The wages of bridge tenders shall be charged to account No. 60, "Miscellaneous car-service employees."

CASE 71.

Query. What is the proper disposition of the cost of patterns used in making castings? In some cases these patterns were made for cars being built, and are now carried in stock and used for making repair parts when necessary. In other cases the patterns were made solely for the casting of repair parts. Is it proper to charge the cost of the patterns to the cost of the equipment built, in the first instance, and to the cost of repairing the equipment in the second instance; or should the patterns be treated as hand tools and machine tools?

Answer. The cost of patterns originally made for cars being built by a company shall be included in the cost of the equipment. The cost of patterns made expressly for the casting of repair parts shall be included in the cost of repairing equipment.

CASE 72.

Query. Referring to accounts No. 507, "Rails, rail fastenings, and joints," and No. 508, "Special work," in the classification for road and equipment, kindly advise to which of these accounts should be charged the cost of guard rails placed around plain curves in main tracks where there are no frogs, switches, cross-overs, or other special work in connection therewith. Does account No. 508, "Special work," include the cost of any guard rails except those used in connection with railroad crossings, cross-overs, frogs, switches, turn-outs, or other parts of the track made to order?

Answer. The cost of guard rails placed around plain curves in main tracks where there are no frogs, switches, cross-overs, or other special work in connection therewith shall be charged to account No. 507, "Rails, rail fastenings, and joints." Account No. 508, "Special work," shall include the cost of only such guard rails as are used in connection with railroad crossings, cross-overs, frogs, switches, turn-outs, and other parts of the track made to order.

CASE 73.

Query. We are required by city ordinance to cut and restore overhead wires when it is necessary to move any building across or along our streets. Is this a charge proper to Operating Expenses or to Income?

Answer. Such expenses shall be charged to account No. 23, "Miscellaneous electric line expenses."

CASE 74.

Query. This company owns ferry slips at a wharf in connection with which we have considerable maintenance expenses. Should we charge to a subaccount under No. 19, "Miscellaneous way expenses," or to account No. 24, "Buildings, fixtures, and grounds"? At the end of the wharf are fuel-oil tanks for the operation of our ferry. Should we charge maintenance expenses to account No. 19, "Miscellaneous way expenses," or to account No. 24, "Buildings, fixtures, and grounds"?

Answer. Expenses of maintenance of ferry slips and ferry fuel-oil tanks shall be charged to account No. 24, "Buildings, fixtures, and grounds."

CASE 75.

Query. Is it necessary for a carrier operating a ferry to separate its general and miscellaneous operating expenses between the railway and the ferry?

Answer. No.

CASE 76.

Query. To what account should be charged tools other than track tools, such as wheelbarrows, hose, level boards, paving hammers, hydrant wrenches and reducers, mattocks, hand axes, rail tongs, etc., purchased for construction work?

Answer. These tools shall be charged to the construction work for use upon which they are issued. If, after the completion of the work, the tools have any salvage value, it shall be credited to the work to which the tools were originally charged, and charged to the work to which the tools are thereafter applied. (*See Case 137.*)

CASE 77.

Query. Kindly advise the proper distribution of—

(1) Trustees' commissions and fees for paying out bond interest on coupons, and expenses, including registrars' fees, connected with same.

(2) Cost of general audit of company's books by an audit company.

Answer. The items described should be charged as follows:

(1) To account No. 225, "Miscellaneous debits."

(2) To account No. 89, "Miscellaneous general expenses."

CASE 78.

Query. Is it intended that items properly chargeable to account No. 37, "Shop expenses," in the classification of operating expenses, are to remain as charged; or may they be distributed in the same manner as store expenses?

Answer. It is not intended that the items contained in account No. 37, "Shop expenses," shall be distributed to the various operating accounts benefited thereby. However, if any portion of shop expenses is properly chargeable to Road and Equipment, such portion shall be deducted from account No. 37, "Shop expenses," since that account should represent only the portion chargeable to Operating Expenses.

CASE 79.

Query. Is there any objection to the creation of a reserve to take care of settlements of loss and damage claims filed by shippers of freight? The intention is to make charges of an arbitrary amount, so as to take care of claims of this nature during the period within which the damage is done.

Answer. There is no objection to including in operating expenses each month a proportion of the total amount which it is estimated will be necessary to expend on account of loss and damage claims, provided that the charges are adjusted annually so far as practicable.

CASE 80.

Query. To what account should be charged the salaries of clerks employed in compiling data and making out reports to public service commissions, State boards of tax commissioners, Federal departments, and others? To what account should be charged the salaries of engineers employed in compiling data in regard to way and structures for such reports?

Answer. The salaries of clerks shall be charged to account No. 84, "Salaries and expenses of general office clerks." The salaries of engineers shall be charged to account No. 1, "Superintendence of way and structures."

CASE 81.

Query. To what account should be charged amounts paid to the United States Government for the right to operate a line across a government reservation?

Answer. If the cars have a private right of way over the government reservation, the payments shall be charged to account No. 217, "Miscellaneous rents." If the line runs in a highway which is used by the public, the payments shall be charged to account No. 215, "Taxes assignable to railway operations." (See Cases 20 and 24.)

CASE 82.

Query. Frequently when streets upon which rails are laid are torn up for repairs it is necessary for passengers to change from cars on one side of the break in the street to cars on the other side, and men are stationed at the break to care for the cars, to assist the passengers if required, and to perform any other duties in connection therewith. The men employed for this work are not regular car-service employees. To what account should their wages be charged?

Answer. To account No. 66, "Miscellaneous car-service employees."

CASE 83.

Query. To what account should be charged the cost of filling land?

Answer. The cost of filling land, in the ordinary acceptance of the term, shall be added to the cost of the land. If, however, the filling is for the purpose of grading the roadbed, the cost shall be charged to account No. 504, "Grading."

CASE 84.

Query. A town, in granting a franchise for the construction of a new line on the streets, requires the railway company to set back the curbs and flagstones. The work is not necessary for the construction of the line, as there is plenty of room on the highway without setting back the curbs. To what account in the classification for road and equipment should such expenditures be charged?

Answer. Expenditures of this nature shall be charged to account No. 502, "Right of way." In case there is any paving to be done in connection with this work, the cost of such paving shall be charged to account No. 511, "Paving." (See Case 42.)

CASE 85.

Query. To what accounts should be charged items for—

(1) City assessment for street grade crossing our right of way, being our proportion for the right of way abutting on the street and extending back from the street.

(2) City assessment for new trunk sewer, being the amount charged us for our proportion based on right of way through the section served by the sewer.

(3) City assessment for new street pavement, being our proportion of paving inside and alongside our tracks on streets on which our track is laid, the streets not having been previously paved.

(4) Cost of installing new crossings when new streets are opened.

Answer. These items shall be charged as follows:

(1) To account No. 516, "Crossings, fences, and signs."

(2) To account No. 502, "Right of way." (See Case 161.)

(3) To account No. 511, "Paving." (See Cases 2 and 161.)

(4) To account No. 516, "Crossings, fences, and signs."

CASE 86.

Query. To what account should be charged the expense of an examination of titles of real property and other questions affecting the validity of an issue of bonds?

Answer. If such expense is incurred in connection with the issue of the bonds it shall be charged to account No. 418, "Discount on funded debt," and written off by charges to income account No. 222, "Amortization of discount on funded debt," over the life of the bonds, in accordance with the instructions in section 8, page 76, of the Uniform System of Accounts for Electric Railways.

If the expense has been incurred in connection with a suit to test the validity of the bond issue it shall be charged to account No. 86, "Law expenses."

CASE 87.

Query. A State assesses railway corporations each year a certain amount graduated on basis of capital stock. To what account should the assessment be charged?

Would this apply to a franchise assessment of a percentage of gross earnings, levied under city ordinance?

Would it apply to what is known as a license tax, levied by a city and based on a certain fixed charge per car for the number of cars operated in the city?

Answer. State taxes assessed against railway corporations, the amounts of which are graduated on a basis of capital stock, franchise taxes levied on operating revenues, and license taxes based on the number of cars operated in a city, shall be charged to income account No. 215, "Taxes assignable to railway operations."

CASE 88.

Query. By reason of the construction of a sewer in a street occupied by electric railway tracks, it becomes necessary to lay a temporary track around the break in the regular line in order to maintain the regular running schedule and avoid compelling the passengers to make a change of cars at that point. Should the cost of laying and removing the temporary track be charged to account No. 19, "Miscellaneous way expenses," or to account No. 67, "Miscellaneous car-service expenses"?

Answer. The cost of temporary track made necessary by the removal of tracks for the purpose of laying a sewer shall be charged to account No. 19, "Miscellaneous way expenses."

CASE 89.

Query. To what account should be charged the cost of putting in iron-pipe culverts for drainage purposes?

Answer. To account No. 515, "Bridges, trestles, and culverts," in the classification for road and equipment.

CASE 90.

Query. We are constructing a new power station which is to be operated by steam turbines. The water for the condensers in this station is to be obtained from a pool to be formed in a near-by river by a dam at or near the station. To what account should be charged the cost of the dam and the pipes conveying the water from the pool to the condensers?

Answer. The cost of the dam as well as the cost of the pipes used in conveying the water from the pool formed by the dam shall be charged to account No. 541, "Dams, canals, and pipe lines," in the classification for road and equipment.

CASE 91.

Query. To what account should be credited the proceeds of an annual tax voted to a carrier by the districts through which the carrier operates?

Answer. If the annual contribution is for the purpose of aiding in the construction or acquisition of property, the credit shall be made to account No. 426, "Grants in aid of construction." If it is made to meet an operating deficit, the credit shall be made to account No. 211, "Contributions from others."

CASE 92.

Query. To what account in the classification for road and equipment should be cleared rent and operation of equipment (rented locomotive, pile driver, etc., used in bridge and track work)?

Answer. Rent and operation of equipment shall be cleared to account No. 529, "Other expenditures—Way and structures," unless the expenses can be readily apportioned and included in the primary accounts to which the cost of the specific work is chargeable.

CASE 93.

Query. To what account should be credited revenue from express traffic handled under a contract with an express company, the railway company owning the cars and charging the express company on a mileage basis?

Answer. To account No. 105, "Express revenue," in the classification of operating revenues. The revenue received covers compensation for the handling of express traffic exclusively and should be treated accordingly, regardless of the arrangement or the basis upon which the compensation is fixed.

CASE 94.

Query. Would it be proper to charge to road and equipment account No. 508, "Special work," the cost of labor and material used in running a wire from a substation to several of our sidings for the purpose of turning on electric switch lights at said sidings by means of a switch at the substation?

Answer. No. The cost shall be charged to account No. 517, "Signals and interlocking apparatus," in the classification for road and equipment. However, it is not the intention that carriers should be required to capitalize insignificant amounts.

CASE 95.

Query. To what accounts should be charged the cost of maintenance and operation of machinery in air-compressor stations, used for charging storage tanks for air brakes?

Answer. The cost of maintenance shall be charged to account No. 36, "Shop equipment," and the cost of operation to account No. 67, "Miscellaneous car-service expenses."

CASE 96.

Query. To what accounts should be charged the cost of construction and maintenance of conduits and fixtures built from a compressor station, located a block or so away from the main line, to a point alongside of the track, the conduits being used for conveying the compressed air to be used on cars on account of air brakes?

Answer. The cost of construction shall be charged to account No. 536, "Shop equipment," in the classification for road and equipment, and the cost of maintenance to account No. 36, "Shop equipment," in the classification of operating expenses.

CASE 97.

Query. In a certain system of side-bracket construction, the trolley wire is suspended by a short wire attached to the bracket. Is this piece of wire a part of the bracket and so chargeable to account No. 20, "Poles and fixtures," or is it a span wire and so chargeable to account No. 22, "Distribution system"?

Answer. The wire is a part of the bracket, and the cost of maintenance shall be charged to account No. 20, "Poles and fixtures," in the classification of operating expenses.

CASE 98.

Query. Should not account No. 505, "Ballast," in the classification for road and equipment, provide for a separate account to cover ballast produced, as is provided in the classification of operating expenses?

Answer. If the entire cost of ballast produced is chargeable to Road and Equipment, it could be properly charged to account No. 505, "Ballast." If, however, the ballast produced is chargeable partly to Road and Equipment and partly to Operating Expenses, Note A, under account No. 2, "Ballast," in the classification of operating expenses, would apply.

CASE 99.

Query. Where track has been laid in an unimproved street under an ordinance which requires the carrier to pay its proportion of the paving when the city paves, should not this proportion be charged to account No. 511, "Paving," in the classification for road and equipment, even when the proportion is included in a special assessment and spread over a period of years?

Answer. Yes. (See Case 185.)

CASE 100.

Query. Should the cost of macadamizing a road or filling a dirt road up to the head of the rail be considered a paving cost and charged to account No. 511, "Paving," or should it be charged to account No. 510, "Track and roadway labor"?

Answer. For the cost of labor and material used in macadamizing, charge shall be made to account No. 511, "Paving"; for the cost of filling the dirt road between the tracks up to the head of the rail, charge for the material used shall be made to account No. 505, "Ballast," and charge for the labor shall be made to account No. 510, "Track and roadway labor."

CASE 101.

Query. Is it proper to charge account No. 515, "Bridges, trestles, and culverts," in the classification for road and equipment, with the cost of a trestle used to handle coal, when the coal is handled in the carrier's own cars and over its own road, and the trestle is used to secure sufficient elevation to dump the coal into coal pockets?

Answer. If the coal pocket is primarily for power plant or generating uses, the cost of the trestle shall be charged to account No. 539, "Power plant buildings." If the coal pocket can not be considered a part of the power plant, the cost of the trestle shall be charged to account No. 524, "Stations, miscellaneous buildings, and structures." (See Case 105.)

CASE 102.

Query. When rails are drilled at the mill for bonding and the cost is included in the price paid for the rails, should the entire cost be included in account No. 507, "Rails, rail fastenings, and joints," in the classification for road and equipment?

Answer. Yes.

CASE 103.

Query. To what account should be charged the amount of conductors' remittances stolen from a safe provided by a carrier?

Answer. To account No. 89, "Miscellaneous general expenses," in the classification of operating expenses.

CASE 104.

Query. When the general office is a part of the carhouse and occupies, say, the second story, how should the cost of the general office be charged?

Answer. The entire cost of the building shall be charged to account No. 523, "Shops and carhouses," in the classification for road and equipment.

CASE 105.

Query. Should the cost of a coal pocket be charged to account No. 539, "Power plant buildings," in the classification for road and equipment, as a building used in power generation, or to account No. 523, "Shops and carhouses," as a storehouse, or to account No. 524, "Stations, miscellaneous buildings, and structures," as a building not provided for otherwise?

Answer. If the coal pocket is primarily for power plant or generating uses, its cost shall be charged to account No. 539, "Power plant buildings." If the coal pocket can not be considered a part of the power plant, the cost shall be charged to account No. 524, "Stations, miscellaneous buildings, and structures." (See Case 101.)

CASE 106.

Query. To what account should be charged the cost of snow plows, such as nose plows, etc., attached to cars?

Answer. The cost of snow plows attached to cars shall be charged, under the classification for road and equipment, to account No. 530, "Passenger and combination cars"; No. 531, "Freight, express, and mail cars"; No. 532, "Service equipment"; or No. 534, "Locomotives," according to the class of equipment to which the attachments are made.

The cost of repairing snow plows attached to cars shall be charged, under the classification of operating expenses, to accounts No. 30, "Passenger and combination cars"; No. 31, "Freight, express, and mail cars"; No. 32, "Service equipment"; or No. 34, "Locomotives," according to the class of equipment to which the plows are attached.

CASE 107.

Query. To what account should be charged the cost of terminal houses erected to contain the apparatus necessary in connection with the change from high-tension overhead to underground line?

Answer. The cost of original installation shall be charged to account No. 544, "Transmission system," in the classification for road and equipment. The cost of repairs shall be charged to account No. 49, "Transmission system," in the classification of operating expenses.

CASE 108.

Query. When a substation attendant who has little or nothing to do, but must be on duty in case a circuit breaker goes out, also sells tickets, handles express, etc., and generally acts as station agent, must his wages be apportioned, and, if so, on what basis?

Answer. The wages of such an employee shall be apportioned among the accounts affected. It is not intended, however, to require an undue refinement of accounting in a matter of this kind, and if the circumstances are such that any account could, with propriety, include the entire expense, there would be no objection to following such a course.

CASE 109.

Query. When headlights, markers, etc., are cared for and handled at the general office, say a mile from the carhouse, and the man who does this work also handles baggage and express matter and acts as janitor of the building, must his wages be apportioned, and, if so, on what basis?

Answer. The wages of such an employee shall be apportioned, so far as practicable, among the accounts affected. If, however, the item is small and the circumstances are such that any one account could, with propriety, include the entire expense, it may be assigned thereto. (See Cases 55, 108, 181, and 187.)

CASE 110.

Query. A conductor on duty is stabbed by a drunken passenger without any fault or negligence whatever on the part of the carrier. He has been a faithful employee and it has been decided to pay him for the time lost during the resulting illness. Should the amount be charged to account No. 89, "Miscellaneous general expenses," or to account No. 92, "Injuries and damages"?

Answer. To account No. 92, "Injuries and damages." (See Cases 10 and 52.)

CASE 111.

Query. A conductor is knocked from a crowded running board of an open car while the car is passing close to a pile of building material of the existence of which he is well aware. No negligence on the part of the company is shown or claimed. He has been a faithful employee and it has been decided to pay him for the time lost during the resulting illness. Should the amount be charged to account No. 89, "Miscellaneous general expenses," or to account No. 92, "Injuries and damages"?

Answer. To account No. 92, "Injuries and damages."

CASE 112.

Query. To what account should be charged the cost of replacing a pavement taken up during construction work for the purpose of removing obstructions such as gas and sewer pipes? This paving is more or less removed from the paving described as the paving strip, extending approximately two feet beyond the outside rail and between the rails, and is not maintained by the street railway company.

Answer. The cost of replacing a pavement taken up during construction work for the purpose of removing obstructions such as gas and sewer pipe, shall be charged to account No. 511, "Paving," in the classification for road and equipment, whether or not such pavement is outside of the so-called paving strip maintained by the company in consequence of municipal requirements.

CASE 113.

Query. Is account No. 509, "Underground construction," in the classification for road and equipment, intended to include all labor in placing the material described, as well as the cost of material itself, including transportation?

Answer. Such labor shall not be included in account No. 509, "Underground construction," but shall be charged to account No. 510, "Track and roadway labor," in analogy with maintenance account No. 8, "Track and roadway labor."

CASE 114.

Query. Should the cost of labor incident to hauling track material from the storeroom to the place where it enters into construction be regarded as a part of the labor cost covered by account No. 510, "Track and roadway labor," in the classification for road and equipment?

Answer. Yes.

CASE 115.

Query. How should guard rails, walks, and railings along the tracks of elevated railways be classified?

Answer. Timber guard rails, footwalks, and railings along the tracks of elevated railways shall be charged to road and equipment account No. 514, "Elevated structures and foundations." The reason that track rails and ties are excluded from this account and put in separate accounts is that they can be used on other roadbeds. The timber work described is peculiar, however, to the elevated structure, and shall therefore be included in that account for the same reason that all parts of bridges and trestles, except track rails, cross ties, etc., are included in account No. 515, "Bridges, trestles, and culverts," in the same classification.

CASE 116.

Query. This company is desirous of keeping a subaccount, "Lighting system," under account No. 23, "Miscellaneous electric line expenses," to contain the cost of maintaining the lighting system on both the elevated and the subway lines. It is desired to show the cost of maintenance of the lighting system on both divisions in one account, which would not be possible if the cost of maintaining the lighting system of the subway and elevated were charged to accounts No. 13, "Tunnels and subways," and No. 14, "Elevated structures and foundations."

Answer. If the company is interested in showing the combined cost of maintaining the subway and elevated lighting systems it may keep an apportionment account to be cleared monthly, but it would destroy the uniformity sought if the account were to be kept as a regular operating account and thus show expenses that in the case of other companies would appear under accounts No. 13, "Tunnels and subways," and No. 14, "Elevated structures and foundations."

CASE 117.

Query. To what account should be charged the cost of building snow fences, as well as the expense of setting them up and removing them?

Answer. The first installation of snow fences shall be charged to road and equipment account No. 516, "Crossings, fences, and signs." After the first installation, the cost of repairing such fences, as well as the expense of setting them up and removing them, shall be charged to operating expense account No. 12, "Removal of snow and ice."

CASE 118.

Query. To what account should be charged expenses incident to the trial of an ejected passenger who shot and killed one of our trainmen, and burial expenses of said trainman paid by this company?

Answer. The expenses incident to the trial shall be charged to account No. 86, "Law expenses," and the burial expenses, if not paid from a relief association fund, shall be charged to account No. 92, "Injuries and damages."

CASE 119.

Query. To what account should be charged an assessment for constructing a new ditch by which this company is partly benefited? The road has been in operation for some time.

Answer. Provision is made for the cost of ditching roadway and of ditches for waterways in account No. 504, "Grading," in the classification for road and equipment. If the ditch to which you refer is along the public highway and is not made use of in the operation of the railroad, the amount of the assessment shall be charged to account No. 502, "Right of way," in the same classification.

CASE 120.

Query. To what account should be charged the cost of pieces of glass for fronts of headlights on cars? Is this charge the same as for globes and carbons, or is the glass considered as a repair rather than a supply?

Answer. Pieces of glass for fronts of headlights on cars shall be charged, under the classification of operating expenses, to account No. 30, "Passenger and combination cars"; No. 31, "Freight, express, and mail cars"; No. 32, "Service equipment"; or No. 34, "Locomotives," according to the class of equipment upon which the glass is used.

Globes and carbons used for headlights shall be charged to account No. 67, "Miscellaneous car-service expenses."

CASE 121.

Query. To what account should be charged the cost of sprinkling pavement of streets (other than pavement near tracks) in front of passenger and freight stations?

Answer. If the sprinkling in front of stations is performed by employees around the stations the labor shall be charged to account No. 68, "Station employees," and other expenses to account No. 69, "Station expenses." If the service is performed by outside parties, the entire expense shall be charged to account No. 69.

CASE 122.

Query. To what account should be charged the cost of tube cleaners and repair parts for removing scale from boiler tubes in boilers at power plants?

Answer. The cost of first installation of tube cleaners shall be charged to account No. 542, "Power plant equipment," in the classification for road and equipment. Replacements and repairs shall be charged to account No. 47, "Power plant equipment," in the classification of operating expenses.

CASE 123.

Query. To what account should be charged the cost of envelopes and bags used for filing canceled tickets turned in by conductors?

Answer. To account No. 94, "Stationery and printing."

CASE 124.

Query. To what account should be charged the cost of fire extinguishers which are to be installed in passenger and freight cars and in power stations?

Answer. The cost of first installation shall be charged to account No. 530, "Passenger and combination cars"; No. 531, "Freight, express, and mail cars"; No. 532, "Service equipment"; or No. 534, "Locomotives," in the classification for road and equipment, according to the class of equipment in which the fire extinguishers are installed. The cost of first installation in power plants shall be charged to account No. 542, "Power plant equipment," in the same classification. It is not intended, however, to require carriers to charge insignificant items to road and equipment accounts. (*See Case 125.*)

CASE 125.

Query. To what account should be charged the cost of renewing fire extinguishers used in passenger and freight cars and in power stations?

Answer. The cost of refilling fire extinguishers in cars shall be charged to account No. 67, "Miscellaneous car-service expenses," and in power plants to account No. 56, "Miscellaneous power plant supplies and expenses." The cost of replacing hand grenades shall be similarly charged. (*See Case 124.*)

CASE 126.

Query. To what account should be charged the cost of installing fire hose?

Answer. The cost of first installation of fire hose shall be charged to the same account under Road and Equipment as the building in which the hose is installed. It is not intended, however, to require carriers to charge insignificant items to road and equipment accounts.

CASE 127.

Query. To what account should be charged the cost of renewing or replacing fire hose?

Answer. To the account to which would be charged repairs to the building in which the hose is located.

CASE 128.

Query. To what account should be charged the expenses incurred on account of a remonstrance against constructing a new ditch along right of way?

Answer. To operating expense account No. 86, "Law expenses," if the remonstrance occurred after the commencement of operations; or to road and equipment account No. 546, "Law expenditures," if the remonstrance occurred during the construction period.

CASE 129.

Query. To what account should be charged the cost of services of an electric clock at a dispatcher's office for use in train service?

Answer. To account No. 63, "Superintendence of transportation."

CASE 130.

Query. To what account should be charged the cost of a reseating machine and repair parts, for grinding and cleaning caps for boiler tubes in power stations?

Answer. The cost of first installation of reseating machines for grinding and cleaning caps for boiler tubes in power plants shall be charged to account No. 542, "Power plant equipment," in the classification for road and equipment. Replacements and repairs shall be charged to account No. 47, "Power plant equipment," in the classification of operating expenses.

CASE 131.

Query. What accounts should be charged with the rent and the cost of maintenance and operation of a steam locomotive and other classes of equipment, such as work cars, etc., used in the construction of an electric railway? What disposition should be made of rental charges for time during which the equipment is lying idle on account of inclement weather?

Answer. The rent of such equipment held for use in construction, whether in use or idle, together with the cost of repairs and supplies used in its operation, shall be charged to the accounts in the classification for road and equipment that are benefited by the service, being apportioned among them on an equitable basis. When such expenses can not properly be included as a part of the cost of any specific work they shall be charged to account No. 529, "Other expenditures—Way and structures." (See Case 92.)

CASE 132.

Query. When cartage is included in the rates, what should be the accounting for receipts from and payments for cartage other than that for collection and delivery, mentioned in account No. 76?

Answer. When freight rates include cartage, the total amounts earned shall be credited to account No. 107, "Freight revenue," in the classification of operating revenues, and the amounts paid to a cartage agency for cartage in accordance with tariff provision shall be charged to the same account.

CASE 133.

Query. Should freight earnings be charged with amounts paid to other companies for the use of their cars?

Answer. Amounts paid to other companies for the use of their cars shall be charged to account No. 98, "Rent of equipment," in the classification of operating expenses, and not to the revenue account benefited by the use of the cars. (See Case 13.)

CASE 134.

Query. A company is called upon by the various municipalities through which it operates to pay for street improvements, either by assessments levied by municipal authority or by payments to contractors in accordance with city ordinances. Is the initial cost of street paving, sidewalks, curbs, gutters, etc., chargeable to Operating Expenses, or to Road and Equipment?

Are payments for improvements of the above nature made in connection with depots and depot grounds chargeable to account No. 502, "Right of way," or account No. 503, "Other land used in electric railway operations," in the classification for road and equipment?

Answer. The initial cost of street pavements, sidewalks, curbs, gutters, etc., is chargeable to road and equipment accounts. Expenditures of this nature within the limits of depots and depot grounds shall be charged to account No. 524, "Stations, miscellaneous buildings, and structures," except that the cost of

all paving about tracks and special work, when incident to track construction, shall be charged to account No. 511, "Paving," whether in the public way or upon grounds used in connection with depots or depot grounds. (*See Cases 42, 84, and 236.*)

CASE 135.

Query. To what account should be charged the cost of land acquired for station and terminal grounds and for shops and power houses?

Answer. The cost of such land shall be charged to account No. 503, "Other land used in electric railway operations."

CASE 136.

Query. To what account should be charged insurance premiums paid on construction material or on equipment or structures under construction?

Answer. Insurance premiums paid on construction material or on equipment or structures under construction shall be charged to specific accounts when they can be allocated to such accounts; otherwise to account No. 550, "Miscellaneous," in the classification for road and equipment.

CASE 137.

Query. What account should be charged with the cost of a steam shovel used in the construction of an electric railway?

Answer. If, as is assumed, the steam shovel is to be used in grading, its cost shall be charged to account No. 504, "Grading," in the classification for road and equipment. If the steam shovel is sold after the completion of the grading, the proceeds from the sale shall be credited to account No. 504. If, however, it is retained and used, account No. 504 shall be credited with the inventory value at the completion of the grading, and account No. 532, "Service equipment," charged, provided the steam shovel is permanently mounted on a car. In case it is not so mounted, account No. 512, "Roadway machinery and tools," shall be charged. (*See Case 76.*)

CASE 138.

Query. Under a joint arrangement, practically all the scrap material of several companies controlled by the same interests is sold under contract to a single purchaser. The contract provides that the scrap shall be cleaned, packed, if necessary, shipped to a designated point, and delivered to the purchaser at prices fixed in the contract. Should the cost of cleaning, cutting up, collecting, and packing, and amounts paid for cartage and freight be charged to account No. 95, "Store expenses," in the classification of operating expenses?

Answer. Account No. 95, "Store expenses," provides for the cost of collection of scrap material, but it is not intended that this account should include the cost of cleaning and cutting up scrap material, or of packing and shipping it to the point where it is sold. Such expenses shall be deducted from the amounts received from the sale of the scrap material.

CASE 139.

Query. The property of a railway company suffered considerable damage by floods. Temporary repairs were made to permit the operation of trains over the damaged portion, it being deemed advisable to postpone permanent repairs on account of the approach of winter. During the following year the damaged property was restored to a condition equal to that before the flood. May a

reserve be set up through charges to Operating Expenses of the flood year to provide for the repair of the property damaged?

Answer. If the cost of the permanent repairs proposed can be approximately determined, there is no objection to charging Operating Expenses each month with a proportion of the cost of such repairs, with the understanding that such charges shall be adjusted to the basis of actual expenditures as soon as the work is completed. The amounts charged to Operating Expenses for this purpose shall be carried in a reserve, against which the cost of the repairs shall be charged as they are made.

CASE 140.

Query. To what account should be charged the cost of current purchased from another company to supply electric-light clusters at stopping points along the line, not stations?

Answer. To account No. 59, "Power purchased." (See Case 165.)

CASE 141.

Query. A company owns tracks but no cars or power house. To operate the road, cars and power are obtained from another company at the rate of 3 cents per car-mile for both cars and power. How should amounts thus paid be treated?

Answer. They shall be apportioned between account No. 98, "Rent of equipment," and account No. 59, "Power purchased."

CASE 142.

Query. The tracks and equipment of a dummy freight line owned by a street railroad are leased to a steam road for exclusive use, the steam road maintaining and operating the line. Should the street railroad include the yearly rent received under revenue account No. 115, "Rent of tracks and facilities," or in the Income Account?

Answer. The amount of rent received as described above shall be included under account No. 203, "Income from lease of road."

CASE 143.

Query. An electric railway is operated in three divisions; the first division including the lines in two cities, A and B, separated by a river; the second division including the lines in a third city, C; and the third division including an interurban line, 22 miles in length, connecting B and C. The main supply depot is at A. Would it be proper to credit the revenues of the interurban line and charge the expenses of the lines in C with freight charges on company material and supplies carried from B to C to be used in C?

Answer. Under the Uniform System of Accounts it is not proper for a carrier to include in its operating revenues freight charges for the transportation of company material and supplies for the maintenance and operation of its property.

CASE 144.

Query. Should an electric railway company whose line is under construction, no part of it having been completed and no cars having been run, open any account for operating expenses, or should it charge all expenditures to construction accounts?

Answer. It is not proper to open any account for operating expenses before cars are run in revenue service. All expenditures in connection with the construction of a road shall be charged to the accounts prescribed in the classification for road and equipment.

CASE 145.

Query. Several cars of coal were purchased by a road under construction, to be held for use for generating purposes in the power house after operations are begun. To what account should be charged the cost of the coal?

Answer. The cost of coal purchased for use after the beginning of operations shall be charged to a fuel account under balance-sheet account No. 411, "Material and supplies." This account shall be credited and the appropriate operating expense accounts shall be charged as the coal is used.

CASE 146.

Query. To what account should be charged an amount paid to a city for permission to open a pavement in order to repair joints, relay rails, etc.? The pavement is in good condition and the amount of the payment covers the estimated cost of replacing it.

Answer. The cost shall be charged to account No. 10, "Paving," in the classification of operating expenses.

CASE 147.

Query. To what account should be charged the wages of pilots directing the operation of a company's own cars by crews not familiar with certain divisions of the line, or directing the operation of cars of another company by their own crews?

Answer. Pilots as described above shall be considered trainmen and their wages charged to operating expense account No. 64, "Passenger conductors, motormen, and trainmen," or account No. 65, "Freight and express conductors, motormen, and trainmen," according to the service in which they are engaged.

CASE 148.

Query. To what account should an electric railway company credit an amount received from another company for the privilege of running cars over a portion of its line, the first company furnishing the power and pilots to direct the movement of the cars, which are furnished and operated by the second company?

Answer. The amount received for such a privilege shall be credited to revenue account No. 115, "Rent of tracks and facilities," with the exception of the portion of the amount applicable to the wages of the pilots, which shall be credited to the account to which the wages are charged.

CASE 149.

Query. What account is chargeable with the cost of telephone service, including both tolls and rents, in stations for agents' use in reaching patrons of the line, and in the offices of the operating officers?

Answer. Payments for local telephone service for agents' use in reaching patrons shall be charged to account No. 69, "Station expenses." Payments for telephone service in the offices of operating officers shall be charged to account No. 73, "Operation of telephone and telegraph lines." Payments for telephone service in connection with the general management of the company shall be charged to account No. 89, "Miscellaneous general expenses."

CASE 150.

Query. A passenger holding a ticket is ejected from an electric railway company's car and enters suit against the company for damages. To what account should the amount of the damages awarded be charged?

Answer. Damages awarded to a passenger on account of his ejection from a car shall be charged to account No. 92, "Injuries and damages," in the classification of operating expenses.

CASE 151.

Query. An electric railway company owns five automobiles, one used by the president, one by the general superintendent, one by the superintendent of maintenance of way, and the other two by linemen. What accounts should be charged with the garage expenses, including the wages of men in charge; with the cost of gasoline, oil, and waste used in the machine; and with the cost of material used in making repairs?

Answer. The garage expenses, including the wages of the men in charge, and the cost of gasoline, oil, and waste used in connection with automobiles, shall be charged to account No. 96, "Garage and stable expenses." The cost of repairs shall be charged to account No. 38, "Vehicles and horses."

CASE 152.

Query. To what account should be charged the cost of a concrete foundation for tracks when forming part of a pit in a carhouse or in a yard?

Answer. Assuming that the pit is built to facilitate the housing and maintenance of equipment, the cost of the foundation put in for tracks in building a pit in a carhouse shall be considered a part of the cost of the carhouse, and so charged to account No. 523, "Shops and carhouses," in the classification for road and equipment.

A pit in a yard is presumably built to facilitate the examination and repair of equipment and shall be considered a miscellaneous structure, the cost of which is chargeable to account No. 524, "Stations, miscellaneous buildings, and structures."

A pit constructed to facilitate the change between the underground and the overhead electric contact system shall be considered as underground construction.

CASE 153.

Query. An electric railway company expects to engage in the power and light business. Is it proper to charge the various accounts in the classification for road and equipment with the cost of installation of additional units in the power house, and the cost of pole lines and feeder lines? If this is not permissible, will it be satisfactory to have one balance sheet to cover both the railway business and the power and light business?

Answer. It is proper to include the cost of additional units in the power house and of pole lines and feeder lines in the accounts provided in the classification for road and equipment. One balance sheet is sufficient for the entire business.

CASE 154.

Query. What rates of depreciation should be applied to the different portions of an electric railway's plant? Should the principle of depreciation be applied in the case of each of the 50 classes of construction covered by the accounts prescribed in the classification for road and equipment?

Answer. The Interstate Commerce Commission only requires of electric railway companies subject to its jurisdiction depreciation accruals on equipment covered by accounts Nos. 530 to 535, inclusive. Provision is made in the classification of operating expenses for three depreciation accounts. The use of account No. 40, "Depreciation of equipment," is mandatory. The use of accounts No. 25, "Depreciation of way and structures," and No. 50, "Depreciation of power plant buildings and equipment," is optional with the carrier. (*See section 14, page 19 of the Uniform System of Accounts for Electric Railways.*)

The question as to rates of depreciation to be used is one which each carrier must determine for itself. The Interstate Commerce Commission has issued no order fixing such rates.

CASE 155.

Query. What account should be credited with discounts allowed by manufacturers for payment, within specified times, of bills for material purchased?

Answer. Discounts allowed for the prompt payment of bills for material purchased shall be credited to the accounts to which the original invoices are charged.

CASE 156.

Query. To what revenue account should be credited receipts for the transportation of newspapers on passenger cars? Newspaper stamps are sold at fixed rates per 100 pounds and affixed to the packages to indicate their weight and the fact that prepayment has been made.

Answer. To account No. 105, "Express revenue," in the classification of operating revenues.

CASE 157.

Query. What accounts should be charged with the cost of maintenance of a bonding car and its electric equipment?

Answer. A bonding car shall be considered a car rather than a tool. The cost of its maintenance shall be charged to account No. 32, "Service equipment," and the cost of maintenance of its electric equipment to account No. 33, "Electric equipment of cars," in the classification of operating expenses. It is understood that "electric equipment" as here used includes only the electric motive equipment and wiring.

CASE 158.

Query. What account should be charged with the cost of installing a creosoting plant for the purpose of treating poles, ties, cross arms, etc., used for both maintenance and construction work?

What account should be charged with the maintenance of such a plant?

Should the cost of labor and supplies used in the operation of the plant be distributed to the maintenance and construction accounts?

Answer. The original cost of the creosoting plant shall be charged to road and equipment account No. 536, "Shop equipment."

The cost of maintaining the creosoting plant shall be charged to operating expense account No. 36, "Shop equipment." The cost of labor and supplies used in the creosoting plant shall be included in the cost of the material treated, upon an equitable basis.

CASE 159.

Query. What account should be charged with the cost of electric meters installed by an electric railway on the premises of customers to whom current is furnished for power and light?

Answer. The cost of meters installed on customers' premises shall be included in account No. 521, "Distribution system," in the classification for road and equipment.

If desired, appropriate subaccounts may be opened for the purpose of keeping separate from railway accounts the investment in and maintenance of meters installed on the premises of customers of the power and light department.

CASE 160.

Query. What account should be charged when conductors are given relief from charges for shortages shown by register readings and credited to "Passenger revenue"? The relief is granted as the result of investigation or at the request of the superintendent on account of operating conditions.

Answer. "Passenger revenue" shall be charged, as the amounts in question were previously credited to it.

CASE 161.

Query. What account should be charged with the amount assessed against a street railway for paving and a sewer? As the work is done for the city by contract, the actual cost can not be determined for either the paving or the sewer.

Answer. The amount of the assessment shall be apportioned as equitably as may be between account No. 511, "Paving," and account No. 502, "Right of way," in the classification for road and equipment. (See Cases 2 and 85.)

CASE 162.

Query. As a condition to permission to place double tracks in subways under the tracks of steam roads, a company was required by ordinance to change the grade on a street in another part of the city. Should the cost of the work on the city street, such as the changing of the grade, curbing, etc., be charged to account No. 502, "Right of way," in the classification for road and equipment?

Answer. Yes.

CASE 163.

Query. To what account should a street railway company charge periodical payments to a city for the privilege of operating cars and stringing wires over a bridge crossing a river?

Answer. To account No. 215, "Taxes assignable to railway operations."

CASE 164.

Query. To what account should be charged fees of witnesses and others appearing for a motorman and conductor at a coroner's inquest, occasioned by an accident?

Answer. To account No. 92, "Injuries and damages," in the classification of operating expenses.

CASE 165.

Query. Should account No. 59, "Power purchased," in the classification of operating expenses include the cost of all power purchased for use in connection with the operation of a line, or of only the amount actually used for the propulsion of cars? A considerable portion of the power purchased is used in lighting cars and car barns and in operating track cranes, etc.

Answer. The entire cost of power purchased shall be charged to account No. 59, "Power purchased." (See Case 140.)

CASE 166.

Query. To what account should be charged the cost, which is small, of loading and unloading cinders used in filling ground around a power plant and car barns?

Answer. To operating expense account No. 24, "Buildings, fixtures, and grounds," or No. 46, "Power plant buildings, fixtures, and grounds," as may be appropriate. (See Case 289.)

CASE 167.

Query. To what account should be charged the cost of dry batteries required for telephone instruments?

Answer. If the telephones are used primarily in the operation of cars, the cost of dry batteries required shall be charged to account No. 73, "Operation of telephone and telegraph lines"; if for local telephone service at stations they shall be charged to account No. 69, "Station expenses"; if in connection with the general management of the company they shall be charged to account No. 89, "Miscellaneous general expenses." (See Cases 68 and 149.)

CASE 168.

Query. To what account should be charged the cost of rubber bands used by conductors in sorting and bunching tickets lifted?

Answer. To account No. 94, "Stationery and printing."

CASE 169.

Query. To what account should be charged the cost of sleet cutters and sleet-cutter wheels?

Answer. The first cost shall be charged to account No. 533, "Electric equipment of cars," in the classification for road and equipment. The cost of repairing and replacing sleet cutters and sleet-cutter wheels shall be charged to operating expense account No. 33, "Electric equipment of cars."

CASE 170.

Query. To what account in the classification of operating revenues should be credited receipts for the transportation of corpses?

Answer. To account No. 101, "Passenger revenue."

CASE 171.

Query. An electric railway company does repair work for a steam road, rendering a bill for the actual labor and material used and for the service of a motor work car at a certain rate per car-mile. To what account should be credited the amount charged for the service of the work car?

Answer. To revenue account No. 109, "Miscellaneous transportation revenue."

CASE 172.

Query. A traction company engaged in construction was sued by a gas company for damages to the latter's pipe line along and across the former's right of way. To what account should the traction company charge the amount of damages awarded and the costs?

Answer. To account No. 502, "Right of way," in the classification for road and equipment.

CASE 173.

Query. To what account should be charged the cost of velocipedes and of hand and push cars for use on an electric railway?

Answer. The cost of first installation shall be charged to account No. 512, "Roadway machinery and tools," in the classification for road and equipment. The cost of repairs and renewals shall be charged to operating expense account No. 9, "Miscellaneous track and roadway expenses."

CASE 174.

Query. In cases where repairs are necessitated by the failure of concrete base for ballast, should the cost of tearing up and replacing paving be charged to "Ballast" or to "Paving"?

Answer. The cost of tearing up and replacing paving in connection with such repairs shall be charged to account No. 10, "Paving," in the classification of operating expenses.

CASE 175.

Query. An electric railway company has rented space for its transmission line in another company's subway. To what account should be charged the rent paid?

Answer. To operating expense account No. 49, "Transmission system."

CASE 176.

Query. To what account should be charged the cost of a stationary crushing plant located in a stone quarry and used by an electric railway in the production of ballast for maintenance?

Answer. To account No. 512, "Roadway machinery and tools," in the classification for road and equipment.

CASE 177.

Query. To what account should be charged the cost of gage glasses and gage-glass preservers?

Answer. The cost of first installation shall be charged to account No. 542, "Power plant equipment," in the classification for road and equipment; and the cost of repairs and replacements to account No. 47, "Power plant equipment," in the classification of operating expenses.

CASE 178.

Query. To what account should be credited the revenue from the transportation of dogs?

Answer. If the dogs are carried as baggage in baggage cars the revenue shall be credited to account No. 102, "Baggage revenue"; if carried as express, to account No. 105, "Express revenue"; if carried by an urban road which does not make a practice of carrying either baggage or express matter the credit shall be to account No. 109, "Miscellaneous transportation revenue."

CASE 179.

Query. To what account should be charged the expenses of a general manager, whose duties include those of passenger and freight agent, while attending traffic associations?

Answer. To account No. 83, "Salaries and expenses of general officers," in the classification of operating expenses.

CASE 180.

Query. What account should be charged for labor unloading coal at car-houses for use in car stoves?

Answer. The cost of unloading shall be added to the cost of the fuel. If, however, the work of unloading is done by regular carhouse operating employees it is not necessary to charge a portion of their wages to the cost of the fuel.

CASE 181.

Query. To what account should be charged the cost of labor unloading coal at a power plant?

Answer. The cost of unloading shall be added to the cost of the fuel. If, however, the work of unloading is done by regular power plant operating employees it is not necessary to charge a portion of their wages to the cost of the fuel. (*See Cases 55 and 109.*)

CASE 182.

Query. A company operating its line with gasoline motor cars has adopted the classifications prescribed for electric railways. What account should be charged with the cost of repairs to engine, transmission, or ignition parts? What account should be charged with the cost of batteries, spark plugs, connecting wire and terminals, electrolyte for storage batteries, etc.?

Answer. The cost of repairs to the motor features of gasoline motor cars shall be charged to account No. 34, "Locomotives," (preferably in a subaccount), and the cost of repairs to the car features of such motor cars shall be charged to account No. 30, "Passenger and combination cars"; account No. 31, "Freight, express, and mail cars"; or account No. 32, "Service equipment," as may be appropriate.

The cost of repairs or renewals of batteries, spark plugs, connecting wire and terminals, electrolyte for storage batteries, and other appliances for the motive power of such cars shall be charged to account No. 34, "Locomotives," (preferably in a subaccount). (*See Case 4.*)

CASE 183.

Query. A practically new car was destroyed in a wreck, the salvage amounting to a few hundred dollars. What disposition should be made of the loss and the salvage?

Answer. The road and equipment account to which the cost of the car was originally charged shall be credited with the ledger value of the equipment destroyed, and the amount of the credit shall be concurrently charged as follows:

The value of the salvage shall be charged to "Material and supplies"; account No. 443, "Accrued depreciation—Road and equipment," shall be charged with the amount carried therein in connection with the equipment destroyed; the amount of depreciation prior to July 1, 1914, not previously written off, shall be charged to Profit and Loss; and the remainder of the credit shall be charged to operating expense account No. 41, "Equipment retired."

CASE 184.

Query. A city proposes to repave its streets with improved materials and the street railway company is required by the terms of its franchise to repave its strip at the same time and with the same kind of material. Would it be proper to charge the cost of the new paving to account No. 511, "Paving," in the classification for road and equipment?

Answer. The excess cost of the new paving over the cost of the original paving shall be charged to road and equipment account No. 511, "Paving," and the remainder, including the cost of removing old paving, to operating expense account No. 10, "Paving."

CASE 185.

Query. A street railway line was constructed in unpaved streets, and after the line had been in operation for a number of years, the city decided to pave. To what account should be charged the railway's share of the cost of paving?

Answer. To account No. 511, "Paving," in the classification for road and equipment. (*See Case 99.*)

CASE 186.

Query. An electric railway obtained permission to increase its capital stock by \$500,000. Of this increase \$250,000 was authorized and issued for the specified purpose of a 25 per cent stock dividend, but the remaining \$250,000 was not authorized for any specific purpose and was not issued. Should the entry in the general ledger be made to cover more than the \$250,000 authorized and issued?

Answer. No. Capital stock shall be considered as issued only when the certificates are signed and sealed and placed with the proper officer for sale or delivery.

CASE 187.

Query. Should any charge be made to account No. 63, "Superintendence of transportation," for the services of agents and substation men used to some extent in dispatching trains and in delivering dispatchers' orders to train crews?

Answer. No charge shall be made to the superintendence account for such incidental service. (*See Cases 55 and 109.*)

CASE 188.

Query. An electric railway company proposes to furnish electric current for lighting some small towns along its line, also to furnish power for the operation of several manufacturing plants. How should the revenues and expenses be handled?

Answer. If a general power and light business is to be undertaken in connection with the railway business, it should be treated as an auxiliary operation. The several accounts entitled "Other operations—Cr." in the classification of operating expenses shall be used to exclude from the total of each general account the portion of expenses that is not applicable to the railway business, these expenses being charged to account No. 214, "Auxiliary operations—Expenses." The revenues from the power and light business shall be credited to account No. 202, "Auxiliary operations—Revenues." (*See Case 7 and account No. 118.*)

CASE 189.

Query. To what accounts should be charged the cost of applying a new form of coupler to motor cars to be used in connection with trailers?

Answer. Such cost should ordinarily be charged to operating expense account No. 30, "Passenger and combination cars"; account No. 31, "Freight, express, and mail cars"; or account No. 32, "Service equipment," according to the class of equipment to which the couplers are applied.

If the couplers applied are heavier or of an improved type, and the cost is considerable, the excess cost of the new couplers over the original cost of those removed shall be charged to the proper account in the classification for road and equipment.

CASE 190.

Query. To what account should be charged the cost of additions to a small plant operated by a railway company to furnish power for lighting in one of the towns on its line?

Answer. The cost of additions to the machinery and equipment of the plant shall be charged to account No. 542, "Power plant equipment," and of additions to the building to account No. 539, "Power plant buildings," in the classification for road and equipment.

CASE 191.

Query. To what account should be charged the cost of cutting trees and removing stumps from the right of way of an electric railway?

Answer. To account No. 504, "Grading," in the classification for road and equipment.

CASE 192.

Query. Ties are frequently purchased some time in advance of their actual use in track work. Should their cost be charged to Operating Expenses in the month in which payment is made or in the month in which they are put in the track?

Answer. The cost of ties shall be charged to a material account at the time of purchase. This account shall be credited and operating expense account No. 3, "Ties," charged from month to month with the value of the ties put in the track.

In order that the cost of renewing ties may be distributed to the 12 months of the year, there would be no objection to charging the operating expense account "Ties" each month with its proportion of the total amount authorized or approximated for renewals during the fiscal year, regardless of the month in which the actual renewals are made, but the account shall be adjusted at the end of the year to the actual expenditures during the year.

In this connection note that equalization accounts Nos. 28, 44, and 51 have been provided for the convenience of carriers desiring to have each month's operating expenses reflect, by general account totals, an equitable proportion monthly of the estimated or authorized maintenance expenses for the year and show, at the same time, actual expenditures by primary accounts.

CASE 193.

Query. In the construction of a street railway it is necessary to team rails from a yard to the street in which they are to be laid. To what account should be charged the cost of such teaming and the cost of unloading the rails in the street?

Answer. To account No. 510, "Track and roadway labor," in the classification for road and equipment.

CASE 194.

Query. An electric railway company operating a line crossing a county bridge is required by the terms of its franchise to pay part of the cost of strengthening the bridge. To what account or accounts should be charged the amount paid?

Answer. The cost of the portion of the work properly considered as betterments to the bridge shall be charged to road and equipment account No. 502, "Right of way," and the remainder to operating expense account No. 15, "Bridges, trestles, and culverts."

CASE 195.

Query. To what account should be charged the cost of repairs to a high smokestack at a power plant?

Answer. The cost of repairs to a smokestack which forms a part of the power plant shall be charged to operating expense account No. 46, "Power plant buildings, fixtures, and grounds."

CASE 196.

Query. When equipment of the type ordinarily installed in substations is installed in a power plant building, should its cost be charged to road and equipment account No. 542, "Power plant equipment," or to No. 543, "Substation equipment"?

Answer. If the equipment is for use in connection with power generated in the same power plant, its cost shall be charged to account No. 542, "Power plant equipment." If it is to transform power generated elsewhere, its cost shall be charged to account No. 543, "Substation equipment."

CASE 197.

Query. Should operating revenue account No. 103, "Parlor, sleeping, dining, and special car revenue," be credited with revenue derived from the operation of cars of the ordinary type on special or extra trips to handle an increase in traffic?

Answer. No; but the revenue from cars furnished for private use under special arrangement shall be credited to that account.

CASE 198.

Query. To what accounts should be charged the first cost and the cost of maintenance of a lighting plant operated in connection with an electric railway?

Answer. The first cost of the building for such a plant shall be charged to road and equipment account No. 539, "Power plant buildings," and the first cost of machinery and other equipment to account No. 542, "Power plant equipment." The first cost of the distribution system shall be charged to account No. 521, "Distribution system," and the first cost of the transmission system to account No. 544, "Transmission system."

All expenses in connection with the maintenance and operation of the light plant shall be included in the appropriate railway primary accounts under the general account Power, and if the light department is conducted as an auxiliary operation an equitable proportion of such expenses shall be charged to the light department through account No. 214, "Auxiliary operations—Expenses," and corresponding credit made to account No. 62, "Other operations—Cr."

If the light business is small in amount and is not accounted for as an auxiliary operation, the cost of maintaining and operating the light plant shall be included in the appropriate railway operating expense accounts.

CASE 199.

Query. To what account should be charged the loss from the operation of a hotel for the accommodation of employees, some being engaged in construction and some in transportation operation?

Answer. The net cost shall be apportioned between account No. 529, "Other expenditures—Way and structures," or No. 550, "Miscellaneous," as may be appropriate, and account No. 78, "Other transportation expenses," in the classification of operating expenses; or, if the amount is considerable, it may be divided among the various accounts affected.

CASE 200.

Query. To what account should be charged the cost of material for seats and sides purchased for use in converting open cars into closed cars?

Answer. Account No. 530, "Passenger and combination cars," in the classification for road and equipment, shall be charged with so much of the cost of converting open cars into closed cars as represents the excess value of the closed cars over the cost of the open cars. The remainder of the cost shall be charged to account No. 30, "Passenger and combination cars," in the classification of operating expenses.

CASE 201.

Query. To what accounts should be charged payments made to the Transcontinental Freight Bureau for the salaries of weighmasters located at various points on a railway's line?

Answer. To account No. 68, "Station employees."

CASE 202.

Query. What is the distinction between account No. 515, "Bridges, trestles, and culverts," and account No. 516, "Crossings, fences, and signs," in the classification for road and equipment, with reference, for instance, to the accounting for the cost of building an undergrade crossing for a highway?

Answer. Account No. 515, "Bridges, trestles, and culverts," shall include the cost of the structure (including foundations and abutments) built to carry the railway track over the highway, while the cost of the roadway passing under the bridge, including the cost of labor and material used in constructing the roadway and the cost of drainage arrangements and excavation, shall be charged to account No. 516, "Crossings, fences, and signs."

CASE 203.

Query. To what account should be charged the cost of new copper trolley wire stolen from the storehouse but recovered after being cut into short lengths?

Answer. The cost of the wire, less the value of scrap recovered, shall be charged to operating expense account No. 95, "Store expenses."

CASE 204.

Query. Should the cost of constructing commercial power lines for power and light business in connection with a railway be included in the accounts prescribed in the classification for road and equipment?

Answer. Yes.

CASE 205.

Query. To what accounts should be charged and credited amounts paid and received in the redemption of transfers issued by two connecting electric railways?

Answer. The transfer arrangement is in effect a division of revenues for through service. The amounts paid to another company for the redemption of transfers shall be charged to account No. 101, "Passenger revenue" in the classification of operating revenues, and the amounts received shall be correspondingly credited to the same account.

CASE 206.

Query. To what account should be charged the cost of repairs and replacements of watchmen's portable clocks used in a carhouse and the cost of paper dials used in such clocks?

Answer. The cost of repairs and replacements of such clocks shall be included in operating expense account No. 71, "Carhouse expenses," and the cost of the paper dials in account No. 94, "Stationery and printing."

CASE 207.

Query. To what account should be charged the amount assessed against an electric railway company for first cost of dredging a stream so as to drain towns and lands along said stream?

Answer. To road and equipment account No. 502, "Right of way." (*See Case 119.*)

CASE 208.

Query. To what account should be charged the rent of coal pockets for storing coal for use of power plants?

Answer. To account No. 56, "Miscellaneous power plant supplies and expenses."

CASE 209.

Query. To what account should be charged the cost of oil cans and other such devices for use by employees of various departments?

Answer. The cost of oil cans and such devices shall be charged to operating expense account No. 56, "Miscellaneous power plant supplies and expenses"; No. 58, "Substation supplies and expenses"; No. 71, "Carhouse expenses"; No. 87, "Shop expenses"; No. 23, "Miscellaneous electric line expenses"; No. 67, "Miscellaneous car-service expenses"; or No. 69, "Station expenses," according to the use for which they are intended.

CASE 210.

Query. To what accounts should be charged the first cost and the cost of repairs and renewals of trolley retrievers and catchers?

Answer. The first cost shall be charged to road and equipment account No. 530, "Passenger and combination cars"; No. 531, "Freight, express, and mail cars"; No. 532, "Service equipment"; or No. 534, "Locomotives," according to the class of equipment fitted with the devices.

The cost of repairs and renewals shall be charged to operating expense account No. 30, "Passenger and combination cars"; No. 31, "Freight, express, and mail cars"; No. 32, "Service equipment"; or No. 34, "Locomotives," as may be appropriate.

CASE 211.

Query. To what account should be charged the cost of transformer oil for use in power plants or substations?

Answer. The first cost shall be charged to road and equipment account No. 542, "Power plant equipment," if the oil is for use in a power plant, or to account No. 543, "Substation equipment," if for use in a substation. The cost of renewals shall be charged to operating expense account No. 47 or No. 48, as may be appropriate.

CASE 212.

Query. To what accounts should be charged the cost of flowers and shrubs, the cost of labor for planting them about various buildings, and the cost of mowing lawns?

Answer. To operating expense account No. 24, "Buildings, fixtures, and grounds," No. 46, "Power plant buildings, fixtures, and grounds," or No. 71, "Carhouse expenses," as may be appropriate. If, however, the amounts involved are small and the work is done by employees of the company as incidental to their regular duties, it is not necessary to apportion the pay of such employees.

CASE 213.

Query. To what account should be charged a license fee paid in accordance with the State law relating to inspection?

Answer. To account No. 89, "Miscellaneous general expenses."

CASE 214.

Query. To what account should be charged the cost of a car body constructed for use as a portable substation?

Answer. Assuming that the car body in question is mounted on trucks as a car, the cost of its construction shall be charged to account No. 543, "Substation equipment."

CASE 215.

Query. To what account should be charged the wages paid by an electric railway to the crews of steam locomotives used in switching freight cars at terminals?

Answer. To operating expense account No. 65, "Freight and express conductors, motormen, and trainmen."

CASE 216.

Query. To what account should be charged the cost of renewals of lamp cord, electric lamps, sockets, and switches used in carhouses, shops, power plants, substations, freight stations, and passenger stations?

Answer. To operating expense account No. 71, "Carhouse expenses"; No. 37, "Shop expenses"; No. 53, "Miscellaneous power plant supplies and expenses"; No. 58, "Substation supplies and expenses"; or No. 69, "Station expenses," according to the place where the articles are used.

CASE 217.

Query. A city builds a new bridge of sufficient strength to carry heavy cars. A railway company extending its lines over it is asked to pay the excess cost of the bridge over that of one built for ordinary highway travel only. To what account should the railway company charge such a payment?

Answer. To account No. 502, "Right of way," in the classification for road and equipment. (See Case 194.)

CASE 218.

Query. An electric railway company is having a branch line built by contract for a lump sum, payment being made each month for the estimated portion of the work completed. No distribution of expenditures is furnished to the railway company. Should the entire cost of the branch line be included in account No. 527, "Cost of road purchased," in the classification for road and equipment?

Answer. It would be preferable to have the detailed distribution made of the amounts paid among the several primary accounts of the classification for road and equipment as the work is done; otherwise the entire cost may be charged to account No. 527, "Cost of road purchased," and cleared in accordance with the provisions of the text of this account.

CASE 219.

Query. To what account should be charged receivers' allowances and expenses?

Answer. To operating expense account No. 83, "Salaries and expenses of general officers," except that expenses incurred for legal services shall be charged as indicated in the text of account No. 86, "Law expenses."

CASE 220.

Query. To what account should be charged counsel fees paid for the preparation of the legal papers required in the merger of one electric railway company with another?

Answer. To account No. 546, "Law expenditures," in the classification for road and equipment.

CASE 221.

Query. To what account should an electric railway company charge the cost of concrete in which the ties are embedded and on which paving is laid?

Answer. The cost of the materials shall be charged to account No. 505, "Ballast," and the cost of labor to account No. 510, "Track and roadway labor."

CASE 222.

Query. To what account should be charged the cost of a passenger elevator in a power plant?

Answer. To account No. 539, "Power plant buildings," in the classification for road and equipment.

CASE 223.

Query. To what account should be charged the cost of filler blocks and guard rails used in connection with ordinary curves?

Answer. To account No. 507, "Rails, rail fastenings, and joints," in the classification for road and equipment.

CASE 224.

Query. To what accounts should be charged the cost of moving and maintaining tracks, portable crossovers, and other work necessary to maintain continuous operation during the progress of reconstruction work?

Answer. To the appropriate operating expense accounts under general account Way and Structures.

CASE 225.

Query. What account is chargeable with the cost of guard rails on bridges?

Answer. The cost of additional track rails laid to prevent cars from jumping the track shall be charged to road and equipment account No. 507, "Rails, rail fastenings, and joints." The cost of timbers or other devices placed at the sides of the bridge to prevent cars from leaving the structure if they jump the track shall be charged to account No. 515, "Bridges, trestles, and culverts." (*See Case 115.*)

CASE 226.

Query. To what account should be charged the cost of excavation for underground construction?

Answer. The cost of excavation for underground construction for a system operated by underground electric contact or cable shall be charged to road and equipment account No. 509, "Underground construction." Excavation for conduits for feeders or return wire or cables shall be charged to account No. 520, "Underground conduits."

CASE 227.

Query. To what account should be credited the amount received for advertising in time-tables?

Answer. The amount received for the sale of advertising space in time-tables shall be credited to operating expense account No. 80, "Advertising."

CASE 228.

Query. To what account should be charged the cost of land and of water rights incident thereto, when acquired for reservoirs and pipe lines?

Answer. To road and equipment account No. 503, "Other land used in electric railway operations."

CASE 229.

Query. To what accounts should be charged the cost of railway tracks and wagon roads built for exclusive service of water-power stations and the cost of wagon roads built to facilitate the patrolling of reservoirs, canals, etc.?

Answer. The cost of the tracks shall be distributed among the various construction accounts in the same way as the cost of other tracks. The cost of the wagon roads serving the power stations shall be charged to the account to which the cost of the power stations is charged. The cost of the wagon roads built to facilitate the patrolling of reservoirs, canals, etc., shall be charged to road and equipment account No. 541. "Dams, canals, and pipe lines."

CASE 230.

Query. To what account should be charged the cost of signs warning against a third-rail?

Answer. To account No. 516, "Crossings, fences, and signs."

CASE 231.

Query. To what account should be charged the loss sustained by an electric railway company from the hold-up of a conductor, or through the defalcation of a conductor?

Answer. To operating expense account No. 78, "Other transportation expenses."

CASE 232.

Query. Is it proper to charge the various operating expense accounts for the transportation of employees of the different operating departments?

Answer. No charge shall be made against a company's operating expenses on account of the free transportation over its own lines of men, on or off duty, employed in maintenance or operation.

CASE 233.

Query. To what accounts should be charged the cost of construction and maintenance of cars equipped as track riveting machines or portable substations?

Answer. The first cost of electric motive equipment for track riveting machines or for portable substations shall be charged to road and equipment account No. 533, "Electric equipment of cars." The first cost of car bodies and trucks for the track riveting machines, together with the cost of the machines, shall be charged to account No. 532, "Service equipment." The cost of car bodies and trucks for portable substations shall be included with the cost of the substation equipment in account No. 543, "Substation equipment."

The cost of maintenance of riveter cars shall be correspondingly assigned to operating expense accounts No. 33, "Electric equipment of cars," and No. 32, "Service equipment"; and of substation cars to account No. 48, "Substation equipment."

CASE 234.

Query. In making an extension of a power house, it was necessary to tear down the end wall. The salvage, with other material, was used in building a new wall. What disposition should be made of charges and credits in such a case?

Answer. The cost of wall removed shall be credited to the road and equipment account to which it is charged. The same cost, less the value of salvage, together with the cost of removal, shall be charged to Operating Expenses. The cost of the new wall shall be charged to road and equipment account No. 539, "Power plant buildings."

CASE 235.

Query. To what accounts should be charged the rent of rooms and the cost of telephone service for the claims department, which is accommodated in a portion of the space rented for general offices?

Answer. The rent shall be charged to operating expense account No. 85, "General office supplies and expenses," and the cost of telephone service to account No. 89, "Miscellaneous general expenses." (See Case 68.)

CASE 236.

Query. An electric railway company which owns a private right of way in a city is required to pave intersecting streets to the full width of the right of way. To what account should be charged the first cost of such paving?

Answer. To road and equipment account No. 511, "Paving." (See Case 134.)

CASE 237.

Query. To what accounts should be charged the cost of packing used in power plants, carbon rings for turbines, and power plant tools?

Answer. The cost of packing and of carbon rings for turbines shall be charged to operating expense account No. 47, "Power plant equipment"; the cost of repair parts of machine tools in power plants also to account No. 47; and the cost of hand tools to account No. 56, "Miscellaneous power plant supplies and expenses."

CASE 238.

Query. To what account should be charged the first cost of welding rail joints?

Answer. If the work is done on existing tracks, the cost shall be charged to operating expense account No. 5, "Rail fastenings and joints," unless the welded joint is more expensive and is a distinct improvement over the joint replaced, in which case the excess cost of the new joint over the original cost of the old one shall be charged to account No. 507, "Rails, rail fastenings, and joints," the remainder of the cost being charged to Operating Expenses, as indicated above. If the welding of joints is done as part of the original construction of the road, the entire cost shall be charged to account No. 507, "Rails, rail fastenings, and joints."

CASE 239.

Query. To what accounts should be charged the rent of a floor in a building to provide space for the receivers of conductors' collections, and for instruction and club rooms?

To what account should be charged the cost of maintaining the furniture and equipment of the club room, and incidental expenses therefor?

Answer. The rent of the portion of the building used for receiving and instruction rooms shall be charged to operating expense account No. 63, "Superintendence of transportation."

The rent of the portion used for recreation purposes, the maintenance of its furniture and equipment, and the incidental expenses of operation shall be charged to account No. 78, "Other transportation expenses." If the rent is an insignificant amount it may all be included in account No. 63, "Superintendence of transportation."

CASE 240.

Query. To what account should an electric railway company charge the loss resulting from a fire which destroyed a station building not covered by insurance?

Answer. If the building is not to be replaced, its cost shall be credited to road and equipment account No. 524, "Stations, miscellaneous buildings, and structures," and charged, less depreciation accrued, if any, to account No. 315, "Loss on road and equipment retired." If it is to be replaced, the original cost less depreciation accrued shall be charged to operating expense account No. 24, "Buildings, fixtures, and grounds," and not to Profit and Loss.

CASE 241.

Query. Is it permissible to make an apportionment of the rent paid for the use of land occupied by a building used in part as a carhouse, in part as a repair shop, and in part as a storeroom?

Answer. The entire amount of rent shall be charged to account No. 217, "Miscellaneous rents."

CASE 242.

Query. To what account should be charged the cost of repairs to a transformer located on a pole outside of a station building for the purpose of stepping down high-tension current in order to furnish electric light for the station?

Answer. To operating expense account No. 69, "Station expenses."

CASE 243.

Query. An electric railway company sells current delivered for power and light directly from the trolley line. To what account should be charged the first cost of meters installed in connection with this business, and the cost of reading the meters?

Answer. The cost of installing meters for the purpose described shall be charged to road and equipment account No. 521, "Distribution system." No charge shall be made for the wages of an employee who reads the meters, if it is done as incidental to his ordinary duties.

CASE 244.

Query. To what account should be credited the amount of a trainman's deposit not called for on his leaving the service of the company?

Answer. If the company chooses to close the liability account for such a deposit, the amount shall be credited to profit and loss account No. 306, "Miscellaneous credits."

CASE 245.

Query. A company operates a coal mine as an auxiliary operation, the railway department furnishing cars to haul material for maintenance and construction in the coal mining department and rendering bill for the cost of power used, the cost of maintaining the cars, and the wages of the train crews. To what account should the railway department credit amounts so received?

Answer. The amounts received for the maintenance of the cars and for power shall be credited to accounts Nos. 43 and 62, "Other operations—Cr.," respectively, while the amounts received for the wages of the train crews shall be credited to the accounts to which the wages were originally charged.

CASE 246.

Query. To what account should be charged the cost of tracing cloth and blue-print paper used by the engineering department?

Answer. To operating expense account No. 94, "Stationery and printing."

CASE 247.

Query. To what accounts should be charged the cost of constructing and maintaining a line of railway on right of way held under perpetual lease?

Answer. The cost of construction shall be charged to the appropriate accounts in the classification for road and equipment, and the cost of maintenance to Operating Expenses.

CASE 248.

Query. To what account should be charged the wages paid to flagmen employed to facilitate car movement during renewals of track?

Answer. To operating expense account No. 66, "Miscellaneous car-service employees."

CASE 249.

Query. To what account should be credited the value of scrap which is recovered in making renewals of trolley brackets but is not to be sold until later—perhaps after the close of the fiscal year?

Answer. The estimated salvage value shall be credited to operating expense account No. 20, "Poles and fixtures," at the time of the renewals. Any adjustment necessary when the material is sold shall also be made through Operating Expenses.

CASE 250.

Query. A company desires to set up in the depreciation reserve account the estimated amount of depreciation which has accrued from the beginning of its operations to the present. How should such adjustment be entered in the accounts?

Answer. That proportion of the charges representing depreciation on equipment covered by accounts Nos. 530 to 535, inclusive, and assignable to the period prior to July 1, 1914, shall be included in profit and loss account No. 317, "Miscellaneous debits," and a corresponding reserve created; that proportion of depreciation on such equipment assignable to the period subsequent to July 1, 1914, will have been provided for by the required monthly charges to operating expense account No. 40, "Depreciation of equipment," the corresponding credits being made to balance-sheet account No. 443, "Accrued depreciation—Road and equipment."

If a company desires to make an adjustment of depreciation on fixed improvements and property not included in accounts Nos. 530 to 535, inclusive, that proportion of such depreciation assignable to the period prior to the current fiscal year shall be charged to profit and loss account No. 317, "Miscellaneous debits," and the proportion assignable to the current fiscal year to accounts No. 25, "Depreciation of way and structures," and No. 50, "Depreciation of power plant buildings and equipment," as may be appropriate, and a corresponding reserve created.

CASE 251.

Query. An electric railway company is required to lay improved paving and before doing so puts its tracks in good repair. To what accounts should be charged the cost of the track work and of the paving?

Answer. The cost of labor and material used in the track work shall be charged to the appropriate operating expense accounts. The excess cost of the new and improved paving over the original cost (estimated, if not known) of the paving replaced shall be charged to road and equipment account No. 511, "Paving," and the remainder of the cost to operating expense account No. 10, "Paving."

CASE 252.

Query. To what account should be charged such part of the cost of restoring a trestle destroyed by fire as is in excess of the amount of insurance recovered?

Answer. To operating expense, account No. 15, "Bridges, trestles, and culverts," except that any excess in the cost of the new trestle over the cost of the old as carried in the construction accounts shall be charged to road and equipment account No. 515, "Bridges, trestles, and culverts."

CASE 253.

Query. To what accounts should be charged the first cost and cost of maintenance of telephone booths located along the track in public ways for use in dispatching cars or trains?

Answer. The first cost shall be charged to road and equipment account No. 518, "Telephone and telegraph lines," and the cost of maintenance to operating expense account No. 18, "Telephone and telegraph lines."

CASE 254.

Query. An interurban electric railway engaged in passenger and freight business derives a portion of its revenue from switching steam railroad cars. To what account should be charged demurrage incurred on these steam railroad cars?

Answer. To operating expense account No. 78, "Other transportation expenses." If, in any case, a portion of the demurrage is recovered from the consignee or shipper, only the net amount payable shall be included in account No. 78.

CASE 255.

Query. To what account should be charged the cost of printing cards and passes for the use of officers and employees of the company?

Answer. To operating expense account No. 94, "Stationery and printing."

CASE 256.

Query. To what account should be charged expenditures, in connection with construction, for grading parkways between tracks on streets?

Answer. To road and equipment account No. 504, "Grading."

CASE 257.

Query. To what accounts in the classification for road and equipment should be charged the cost of building and maintaining timekeepers' offices and temporary tool and supply houses; also the rent of ground in connection therewith?

Answer. On the assumption that the expenditures referred to are in connection with construction, the cost of building and repairing and the rent paid for ground in connection therewith shall be included in the accounts to which the cost of the work is charged. Any salvage recovered at the conclusion of the work shall be credited to accounts charged.

CASE 258.

Query. To what account should be credited the proceeds received from the sale of a construction grading camp? This camp was built and maintained for the purpose of boarding men employed in grading during the construction period.

Answer. Assuming that the cost of constructing the grading camp was charged to road and equipment account No. 504, "Grading," the proceeds from the sale of the camp shall be credited to that account.

CASE 259.

Query. At one of the stations on an interurban line a spur track is maintained for convenient handling of freight. Alongside of this spur track is a plank driveway which the company has to repair. To what account should be charged the cost of this repairing?

Answer. To operating expense account No. 24, "Buildings, fixtures, and grounds."

CASE 260.

Query. Railway companies A, B, and C built a joint railway and highway bridge across a stream between two counties. The cost of the bridge was borne jointly by the three railway companies and the two counties. The contract between the railway companies for the erection and operation of the bridge provides that each company shall receive credit for one-third of the amount

contributed by the counties, as each company will have borne one-third of the cost of maintenance and operation.

The bridge is to be maintained and operated by Company A, Companies B and C paying each one-third of the cost, and the counties contributing a stated amount per annum for the maintenance of the highway portion. Company A has charged its proportion of the cost of maintenance and operation to accounts No. 15, "Bridges, trestles, and culverts"; No. 17, "Signal and interlocking apparatus"; No. 59, "Power purchased"; No. 66, "Miscellaneous car-service employees"; and No. 78, "Other transportation expenses." Is this correct? And how should the amount paid by the counties be credited in the railway companies' accounts?

Answer. The accounting is correct. Assuming that the distribution of the cost of maintaining and operating the bridge is charged to the proper operating expense accounts of each company, the amounts received from the counties shall be credited by each company to the primary accounts affected.

CASE 261.

Query. A company has made a change in the allnement of its tracks in order to avoid conditions dangerous to the public. In connection with the work there has been considerable expense in resetting curbs and repaving sidewalks. Should the cost of changing curbs and sidewalks be charged to road and equipment accounts?

Answer. The cost of relocating and relaying curbs in connection with realignment of tracks, in order to make operations safer, shall be charged to the proper maintenance accounts in operating expenses. If new curbs have been constructed or new paving laid where none existed previously, the cost thereof shall be charged to the proper road and equipment accounts.

CASE 262.

Query. When a station is built at a point where the right of way is wide enough to accommodate it, should the cost of the land upon which the station is built be credited to account No. 502, "Right of way," and debited to account No. 503, "Other land used in electric railway operations"?

When a station is built at a point where the right of way is wide enough to accommodate only a part of the station, and additional property is purchased, the width added to the right of way making it no wider than the right of way at other near-by points, should the additional property purchased be charged to account No. 503 or account No. 502?

Answer. If the company in purchasing a right of way does not purchase an additional width in the expectation of using the same for station or other purposes, the entire cost of the property shall be charged to account No. 502, "Right of way."

If the company purchases an additional width for the purpose of using it at once or in the future for purposes other than construction of roadbed, the value of this additional land shall be charged to account No. 503, "Other land used in electric railway operations."

CASE 263.

Query. A company moved a special train at a guaranty of a specified lump sum. The total fares of the passengers on this train did not equal the guaranty, based on the local tariff, leaving a deficiency of \$15.20. To what account should the deficiency be credited when collected?

Answer. Both fares and deficiency shall be credited to account No. 103, "Parlor, sleeping, dining, and special car revenue."

CASE 264.

Query. A company has been compelled by a state highway commission to move about 1,000 feet of its track from the side to the center of the road, and also to pave between the rails. To what accounts should be charged the cost of moving the track and of paving?

Answer. If no additions or betterments were made in connection with the transfer of the track from the side to the center of the road, the expense incurred in connection with this removal shall be charged to Operating Expenses.

If there was no paving between the rails as originally laid, and paving has been put in after the removal of the tracks to the center of the road, the cost of the paving, being additional, shall be charged to road and equipment account No. 511, "Paving." If, however, there was similar paving between the rails before the track was moved, the cost of paving in the center of the road shall be charged to operating expense account No. 10, "Paving."

CASE 265.

Query. A company has expended a considerable sum in new construction which will not be completed until September 1. Is it necessary to distribute the amount expended to June 30 to the primary construction accounts, or may the balance be carried in suspense till the work is completed?

Answer. The expenditure to June 30 shall be distributed, if possible, to the appropriate road and equipment accounts and so reported in the annual report to the Commission for the year ending June 30. If it is impossible to properly distribute such expenditure, the amount thereof may be carried over the fiscal year and reported on the balance sheet under an appropriate title in account No. 420, "Other unadjusted debits."

CASE 266.

Query. This company is taking up 40-pound rail which was laid about 10 years ago, and is about to lay 70-pound rail in its place. The cost of the old rail will be taken out of the road and equipment accounts, and the cost of the new rail charged thereto. What account should be charged with the cost of labor taking up the old rail?

Answer. The cost of labor expended in taking up old rail for the purpose of replacing same and the cost of labor for laying the new rail shall be charged to operating expense account No. 8, "Track and roadway labor."

CASE 267.

Query. To what account should be charged interest on unpaid paving taxes or assessments, such taxes or assessments being made by the municipality to cover the cost of paving between tracks? Such assessments may be paid in full at the time the assessment is made, or may be paid in 10 or more annual installments with the interest on the unpaid balance at a fixed rate.

Answer. Interest on unpaid paving assessments levied by a municipality shall be charged to income account No. 221, "Interest on unfunded debt."

CASE 268.

Query. This company has considerable expense in connection with fire drills at its various shops and carhouses, or on its ferryboats. To what accounts should such expenses be charged?

Answer. If the expenses incident to fire drills are of sufficient amount to warrant it, they shall be charged to operating expense account No. 24, "Buildings,

fixtures, and grounds," if incurred at shops and carhouses; or to account No. 35, "Floating equipment," if on ferryboats. Although men are taken from other work to go through fire drills, in most cases this expense is small, and if the segregation of such expense would result in an undue refinement of accounting, there is no objection to including such expense in the accounts to which the men's wages ordinarily are charged.

CASE 269.

Query. To what accounts should be charged the cost of fighting fires?

Answer. The distribution of the expense of fighting fires shall be determined by the nature of the property protected. If the expense is incurred for protection of the roadway, account No. 19, "Miscellaneous way expenses," shall be charged; if to protect electric lines, poles, and fixtures, the charge shall be to account No. 23, "Miscellaneous electric line expenses"; if to protect buildings other than power plants and substations, the charge shall be to account No. 24, "Buildings, fixtures, and grounds"; if to protect power plant and substation buildings, the charge shall be to account No. 46, "Power plant buildings, fixtures, and grounds."

CASE 270.

Query. When rails are welded with an electric-arc welder, thus doing away with rail bonds, should any portion of the expense of welding be charged to account No. 22, "Distribution system," or should the entire expense, including both labor and material, be charged to account No. 507, "Rails, rail fastenings, and joints"?

Answer. The cost of welding rails with an electric-arc welder, thus doing away with existing rail bonds, shall be charged to Operating Expenses, the cost of material being charged to account No. 5, "Rail fastenings and joints," and the cost of labor to account No. 8, "Track and roadway labor."

If the welding is done in connection with new construction, the cost of material shall be charged to account No. 507, "Rails, rail fastenings, and joints," and the cost of labor to account No. 510, "Track and roadway labor."

CASE 271.

Query. To what account should be charged the cost of filling the cups in rails, caused by bad joints? This work is done with an electric-arc welding machine. When the cup is not at the end of the rail, to what account should be charged the cost of filling it?

Answer. The cost of material used in filling cups in rails shall be charged to operating expense account No. 4, "Rails," and the cost of labor in connection therewith to account No. 8, "Track and and roadway labor," whether the cup is at the end of the rail or not.

CASE 272.

Query. To what account should be charged the cost of building up chipped or worn places or broken points in special work, this work being done with an electric-arc welding machine?

Answer. The cost of material used in building up chipped or worn places or broken points in special work shall be charged to operating expense account No. 6, "Special work," and the cost of labor in connection therewith to operating expense account No. 8, "Track and roadway labor."

CASE 273.

Query. Company A repairs its own cars and also those belonging to Company B. Company A charges Company B with the actual cost of material and labor in making the repairs. It is desired to charge also to Company B a proper proportion of the storeroom expenses of Company A. How should this be treated in the accounts?

Answer. The carrier making the repairs (Company A) shall credit operating expense account No. 95, "Store expenses," and the company whose cars are repaired (Company B) shall debit the same account for the proportion of storeroom expense billed by the former against the latter company. Such items shall not be treated through the accounts "Other operations—Dr." or "Cr."

CASE 274.

Query. What is meant by the term "other rail equipment" in operating expense account No. 98, "Rent of equipment"? Is it intended to cover equipment such as steam rollers and pile drivers?

Answer. The term "other rail equipment" as used in account No. 98 is intended to include regular rail equipment only. The rent of a steam roller, pile driver, or similar equipment used in maintenance work shall be charged directly to the work upon which such equipment is used.

CASE 275.

Query. This company has recently converted several ordinary cars into pay-as-you-enter cars. To what account should be charged the royalty we pay to the patentees?

Answer. A royalty paid on the patent in connection with the conversion of an ordinary passenger car into a pay-as-you-enter car shall be charged to road and equipment account No. 530, "Passenger and combination cars."

CASE 276.

Query. This company erects car-stop signs, which are sometimes hung on span wires or fastened on iron pipes especially erected for that purpose. To what account should this expense be charged?

Answer. The original cost of the car-stop signs and of the pipes for their support shall be charged to road and equipment account No. 516, "Crossings, fences, and signs." The cost of repairing the signs and pipes shall be charged to operating expense account No. 16, "Crossings, fences, and signs."

CASE 277.

Query. This company has a rail grinder, which grinds down the uneven portions of the rail; it is propelled by electric power and runs upon the tracks. We also have a bonding machine, run by electric power, which is used to solder the bonds at the rail joints. Should the rail grinder and the bonding machine be considered as tools or as equipment?

Answer. If the rail grinder and bonding machine are permanently mounted on wheels or cars and move over the carrier's tracks, they shall be considered equipment; if not mounted, they shall be considered as tools.

CASE 278.

Query. This company sells commutation coupon-ticket books which expire upon the last day of the month in which sold. Is it permissible to credit to "Passenger revenue" the revenue derived from the sale of these ticket books, or should a suspense account be opened and the credit made to passenger revenue as the coupons are honored?

Answer. It is permissible to credit to account No. 101, "Passenger revenue," as the sales are made, the proceeds from sales of monthly commutation ticket books which expire upon the last day of the month in which sold.

CASE 279.

Query. What account should be charged with the cost of paving done in connection with the renewal of rails, fastenings, and joints?

Answer. The cost of taking up and replacing paving in connection with the renewal of rails, fastenings, and joints shall be charged to operating expense account No. 10, "Paving."

CASE 280.

Query. To what account should be charged the premium paid on a judicial bond necessary in connection with the appeal of an injuries case?

Answer. To operating expense account No. 92, "Injuries and damages."

CASE 281.

Query. To what account should be charged the cost of snow scrapers, if it is decided to charge the cost to Operating Expenses?

Answer. If the snow scrapers are mounted, forming units of service equipment, the original cost shall be charged to road and equipment account No. 532, "Service equipment." If, however, the snow scrapers are attachable to revenue cars, their cost shall be charged to road and equipment account No. 530, "Passenger and combination cars"; No. 531, "Freight, express, and mail cars"; or No. 534, "Locomotives," as may be appropriate. If attachable to service cars the cost of the scrapers shall be charged to road and equipment account No. 532, "Service equipment."

If the total cost of the snow scrapers is less than \$200, it may be charged to operating expense account No. 30, "Passenger and combination cars"; No. 31, "Freight, express, and mail cars"; No. 32, "Service equipment"; or No. 34, "Locomotives," as may be appropriate.

CASE 282.

Query. In purchasing a piece of right of way a railway company agreed to put in a road crossing at a certain point. Later, however, the company paid the former owner of the right of way a certain amount of cash in order to relieve the company from putting in the crossing. Should this latter amount be charged to account No. 502, "Right of way," or to No. 516, "Crossings, fences, and signs"?

Answer. The amount paid for the purpose of relieving the company of the necessity of putting in a road crossing shall be charged to account No. 502, "Right of way," for the reason that the price originally paid for the right of way was undoubtedly reduced because the railroad company had agreed to install a crossing.

CASE 283.

Query. To what accounts should be charged amounts paid as rent of power plant units and transformers to be used in emergency cases?

Answer. To account No. 56, "Miscellaneous power plant supplies and expenses."

CASE 284.

Query. A company purchased a portable substation mounted on wheels and equipped to be moved from point to point and to be connected with the high-voltage line in order to deliver current to the distribution system. To what accounts should be charged the cost of this substation and the cost of its maintenance?

Answer. The first cost of the substation shall be charged to account No. 543, "Substation equipment," and the cost of maintenance to account No. 48, "Substation equipment."

CASE 285.

Query. An interurban line carries milk on equipment used solely in freight service and the rates are included in its freight tariff. The milk is never carried on passenger cars. To what account should be credited revenue derived from the above source?

Answer. Revenue received from the transportation of milk, whether on passenger or freight trains, shall be credited to account No. 106, "Milk revenue."

CASE 286.

Query. To what account should be credited the value of unredeemed passenger tickets when written off annually?

Answer. To account No. 101, "Passenger revenue."

CASE 287.

Query. To what account should be charged—

- (1) The cost of cleaning and washing cars?
- (2) The cost of rebonding rails?
- (3) The cost of taking off storm sashes and putting guard rails on cars?
- (4) The cost of painting and varnishing cars?

Answer. (1) To account No. 67, "Miscellaneous car-service expenses."

(2) To account No. 22, "Distribution system."

(3) (4) To account No. 30, "Passenger and combination cars"; account No. 31, "Freight, express, and mail cars"; or account No. 32, "Service equipment," as may be appropriate.

CASE 288.

Query. To what account should be charged the original cost of an automobile used by the chief engineer of a railway company who has charge of the power house and line department of the railway and of allied lighting companies?

Answer. The cost of the automobile shall be charged by the company which owns it to road and equipment account No. 538, "Miscellaneous equipment." If the automobile is owned by several companies the cost shall be apportioned to their respective property accounts upon an equitable basis.

CASE 289.

Query. A company has a power plant where it is necessary to load cinders by hand. The cinders are loaded on cars by the track department and hauled to points on the line where they are unloaded and used for grading and widening the roadbed. Should the entire expense be charged to maintenance of way and structures, or should some portion be charged to the operation of power plant?

Answer. The cost of removing cinders shall be charged to the operation of power plant. The cost of hauling and unloading the cinders used for maintenance purposes shall be charged to the appropriate accounts according to the use made thereof.

CASE 290.

Query. To what account should be charged the cost of superintending the maintenance of floating equipment?

Answer. To account No. 29, "Superintendence of equipment."

CASE 291.

Query. A company lays tiling between rails lengthwise with the track, for the purpose of draining the roadbed. To what accounts should be charged the cost of the tiling and the labor of laying same?

Answer. The original cost of tiling and labor laying same shall be included in road and equipment account No. 504, "Grading." If the charges are for maintenance, the amount paid for labor shall be charged to account No. 8, "Track and roadway labor," and the cost of material to account No. 9, "Miscellaneous track and roadway expenses."

CASE 292.

Query. To what account should be charged wages of track or section foremen engaged in maintenance work?

Answer. To account No. 8, "Track and roadway labor."

CASE 293.

Query. Please define the word "appliances" as used in account No. 32, "Service equipment."

Answer. The term "appliances" is intended to include all devices, except the electric motive equipment, which are attached to the car and not used separately therefrom. Devices shall be considered as "appliances" if they form a necessary part of the mechanism permanently affixed to the car.

CASE 294.

Query. Should the cost of tools forming a necessary part of the mechanism permanently attached to a service car be charged to account No. 532, "Service equipment," or to account No. 9, "Miscellaneous track and roadway expenses"?

Answer. The original cost of tools or appliances (except electric motive equipment) permanently attached to a service car or forming a necessary part of the mechanism permanently attached to the car shall be charged to account No. 532, "Service equipment." The cost of maintenance shall be charged to account No. 32, "Service equipment."

CASE 295.

Query. To what account should be charged the salaries and expenses of clerks employed to investigate and keep records of loss and damage and overcharge claims?

Answer. The pay and expenses of clerks other than agency employees, when engaged exclusively in recording, investigating, and adjusting loss, damage, and overcharge claims, shall be charged to account No. 84, "Salaries and expenses of general office clerks."

CASE 296.

Query. This company has a car which cost \$5,000 and upon which depreciation amounting to \$1,500 has accrued. Because of an accident the car is unfit for service on the main line, but it has been repaired and is to be used on a small branch line. Is it necessary to make any adjustment in the road and equipment accounts; and may the reserve for accrued depreciation be charged with the repairs?

Answer. No adjustment shall be made in the road and equipment accounts until the car is permanently retired from service. In the present case, the cost of repairs shall be included in the appropriate repair accounts. If, however, additions or betterments (as defined in section 2, page 91, of the Uniform System of Accounts) are made during the process of reconstruction, the cost of the additions or betterments shall be included in the appropriate road and equipment accounts.

No charge shall be made against the reserve for accrued depreciation for repairs of equipment unless the equipment is converted from one class to another, in which case charge shall be made to balance-sheet account No. 443, "Accrued depreciation—Road and equipment," in accordance with instructions contained in section 6, page 92, of the Uniform System of Accounts for Electric Railways.

CASE 297.

Query. A company owning property which extends some distance out into a river has driven piles along the boundary line as a retaining wall. Contractors doing excavating nearby are paying for the privilege of dumping dirt upon this property. To what account should be credited such collections?

Answer. Assuming that the value of the land is not diminished, the amounts received from others for the privilege of dumping dirt upon it shall be credited to income account No. 212, "Miscellaneous income."

CASE 298.

Query. A company is required by its mortgage to keep 300 of its bonds, or the proceeds thereof, in a fund which can be used only for the payment of the cost of new property acquired, or for additions, extensions, and permanent improvements. Under what balance-sheet account should be included the par value of the bonds or the proceeds thereof?

Answer. The par value of the bonds held in the company treasury, unsold, shall be included in balance-sheet account No. 421, "Securities issued or assumed—Unpledged." When the bonds are sold the proceeds, until used, should be included in balance-sheet account No. 408, "Special deposits."

CASE 299.

Query. This company has an agreement with the city whereby it has a right to locate, maintain, and use tracks across a public bridge. For this privilege we pay the city a fixed amount annually. To what account should this item be charged?

To what account should be charged the cost of maintaining the tracks, poles, wires, etc., and the paving and planking on the bridge?

Answer. The amount paid annually to the city for the right to locate, maintain, and use tracks across the bridge shall be charged to income account No. 215, "Taxes assignable to railway operations."

The cost of maintaining and repairing the tracks, poles, wires, paving, and planking shall be charged to the same primary maintenance accounts as though the company owned the bridge.

CASE 300.

Query. (1) A company operating a light plant as an auxiliary operation has, in connection with the light business, considerable expense which has no bearing whatever on the railway expenses. Is it permissible to charge directly to account No. 214, "Auxiliary operations—Expenses," the expenses which are incurred solely in connection with the light business?

(2) In one of the cities through which this company operates it furnishes power from a line used to operate the railroad. In addition, there is a further investment for poles and fixtures which are not used in the operation of the railway, but are used exclusively in the light business. Is it permissible to include the cost of the poles and fixtures used exclusively in the light business in balance-sheet account No. 404, "Miscellaneous physical property"?

Answer. (1) Expenses incurred solely in connection with the auxiliary operation, no proportion of which expenses is properly includible as a part of the cost of operating the railway, shall not be charged to the railway expense accounts. All expenses, however, in connection with the production or purchase of power used for both railway and light purposes shall be included in the appropriate primary accounts of the railway general account Power. The proportion of such power expenses assignable to the light department shall then be cleared from the railway expenses by crediting railway operating expense account No. 62, "Other operations—Cr.," and charging account No. 214, "Auxiliary operations—Expenses." If the expenses referred to are not those which enter into the cost of power production, they need not be included in the railway operating expenses.

(2) The cost of poles and fixtures used exclusively in the light business shall be included in the appropriate primary accounts of the road and equipment classification.

It has been found impracticable to make a complete and equitable separation of the investment in property used in the joint production of power as between the railway and light business. Therefore the cost of all equipment and structures, including property used exclusively in the light business, shall be charged to the appropriate road and equipment accounts.

There is no objection, however, to keeping the investment in poles and fixtures used exclusively in the light business separate from the investment in railway property, provided all charges thereto are classified in accordance with the primary accounts of the road and equipment classification. In compiling annual reports to this Commission the investment in the light property shall be merged with that for investment in the railroad property and the total reported.

CASE 301.

Query. A company in acquiring a right of way was compelled to purchase an orchard and now owns orchard lands on both sides of its right of way. The company has continued to cultivate the orchard. To what accounts should be charged the cost of the orchard and the cost of its cultivation?

Answer. The cost of the portion of the orchard acquired for right-of-way purposes shall be charged to account No. 502, "Right of way," and the remainder of the cost to account No. 404, "Miscellaneous physical property." The expenses incident to the care and cultivation of the orchard shall be charged to account No. 205, "Net income from miscellaneous physical property," or to account No. 219, "Net loss on miscellaneous physical property," as may be appropriate. (*See note, account No. 404.*)

CASE 302.

Query. Should account No. 95, "Store expenses," include the salaries of the purchasing agent and his staff as well as the cost of maintaining storeroom buildings?

Answer. The salary of the purchasing agent shall be charged to account No. 83, "Salaries and expenses of general officers." The salaries of the staff of the purchasing agent, if employed in the general office, shall be charged to account No. 84, "Salaries and expenses of general office clerks." The salaries of employees engaged in the storeroom shall be charged to account No. 95, "Store expenses." The cost of maintaining storeroom buildings shall be charged to operating expense account No. 24, "Buildings, fixtures, and grounds."

CASE 303.

Query. To what account should be charged depreciation on equipment the cost of which is included in road and equipment account No. 538, "Miscellaneous equipment"?

Answer. If depreciation has accrued on equipment the cost of which is included in account No. 538, "Miscellaneous equipment," it shall be included in account No. 40, "Depreciation of equipment," additional subaccounts being opened thereunder to cover the classes of equipment upon which depreciation has accrued.

CASE 304.

Query. Is it proper to charge to operating expense account No. 70, "Carhouse employees," the salaries and expenses of employees engaged in inspecting freight equipment out on the line, as well as of employees in the carhouses?

To what account should be charged the wages of inspectors superintending the movement of cars?

Answer. Account No. 70, "Carhouse employees," is intended to include the wages and expenses of inspectors of equipment, whether in the carhouses or on the road.

The wages of inspectors employed in superintending or facilitating the movement of cars and assisting in the superintendence of transportation generally shall be charged to account No. 63, "Superintendence of transportation."

CASE 305.

Query. To what account should be charged the salary and expenses of a car-service agent and his office clerks?

To what account should be charged the cost of icing refrigerator cars?

Answer. The salaries and expenses of a car-service agent and his clerks shall be charged to account No. 63, "Superintendence of transportation."

The cost of icing refrigerator cars shall be charged to account No. 67, "Miscellaneous car-service expenses."

CASE 306.

Query. To what accounts should conductors' and motormen's wages be charged when they are engaged in work other than revenue service?

To what account should their time be charged when deadheading cars from one carhouse to another for repairs?

Answer. If the conductors and motormen are engaged in construction or maintenance work, their wages shall be charged to the appropriate road and equipment or operating expense primary accounts, according to the purpose for which the equipment is being used.

The wages of conductors and motormen employed in deadheading cars from one carhouse to another for repairs shall be charged to the primary account to which the repairs of such cars are chargeable.

CASE 307.

Query. Prior to July 1, 1914, whenever an unusually heavy expenditure was incurred which was chargeable to a particular primary operating expense account the total amount of the item was charged to a suspense account and written off, in equitable monthly proportions, to the proper primary account, thus producing not only an even monthly showing in the general accounts but in the primary accounts as well. We are aware that the equalization accounts are provided for the purpose of equalizing the fluctuations in operating expenses, by general account totals, but desire to have the equalization results reflected in the primary accounts and desire permission to continue the use of the operating expense suspense account as indicated above. Will this method be permissible, providing the expenses are adjusted annually so that the actual expenses for the year will be included in operating expenses?

Answer. There is no objection to charging the operating expense primary accounts each month with an equitable monthly proportion of the total amount of authorized or approximated expenses for the year, regardless of the month in which the actual work is done. The suspense accounts, however, shall be adjusted at the end of the year, so that only the actual amount of operating expenses shall be included in the primary accounts.

CASE 308.

Query. To what account should a carrier credit the amount of interest which has been charged to construction? This company has no funded debt. Are we permitted to charge to construction the interest on the company's working funds used for construction purposes?

Answer. Interest charged to construction shall be included in account No. 547, "Interest during construction," and corresponding credit shall be made to the account which was charged as such interest accrued. If no interest actually accrued or was paid, account No. 547 may include a reasonable charge for interest during the construction period on the carrier's own funds used temporarily, the corresponding credit being made to account No. 208, "Income from unfunded securities and accounts."

CASE 309.

Query. Is account No. 40, "Depreciation of equipment," intended to include any equipment other than that commonly termed "rolling stock"? Should it include equipment the cost of which is charged to account No. 538, "Miscellaneous equipment"?

Answer. Account No. 40, "Depreciation of equipment," is intended to include charges on equipment covered by road and equipment accounts Nos. 530 to 535, inclusive. Account No. 40 does not require charges for depreciation accrued on equipment included in account No. 538, "Miscellaneous equipment." Carriers desiring to charge depreciation accrued on shop equipment, furniture, or miscellaneous equipment covered by accounts Nos. 536 to 538, inclusive, may open additional subaccounts therefor under account No. 40.

CASE 310.

Query. A company has acquired by long-term lease an electric railway property. In connection with the text of account No. 40, "Depreciation of equipment," there is a doubt as to the valuation on which depreciation should be figured. Should the lessee company's rate of depreciation be based on the appraised or estimated value of the equipment when received, or on such value as of July 1, 1914, or on the original cost to the lessor company?

Is a lessee company required to provide a depreciation reserve covering the entire estimated life of the equipment leased from (1) the date of purchase or first use by the lessor, or from (2) the date on which the lessee acquired the equipment, or from (3) July 1, 1914?

Answer. The basis on which depreciation on equipment shall be charged is the original cost (estimated if not known), record value, or purchase price. If the equipment was appraised on July 1, 1914, or when received, the appraised value shall be used, provided the ledger value has been adjusted to such appraised value. In section 14, page 19, of the Uniform System of Accounts, the first paragraph provides that "depreciation charges with respect to property or equipment shall cease when the difference between the ledger value (estimated if not known) and the estimated scrap value shall have been credited to the depreciation reserve account."

The date from which a lessee company is required to provide a depreciation reserve on leased equipment will depend upon the terms of the lease. If the lessee company has agreed to be responsible for the complete maintenance of the equipment it will be necessary for such company to account for depreciation from the date the equipment is received by it. If such is the agreement and the lessee company has not accounted for depreciation prior to July 1, 1914, then the depreciation which is assignable to the period during which the equipment was held by the lessee prior to July 1, 1914, may be charged to Profit and Loss either immediately or when the equipment is retired or returned.

CASE 311.

Query. A company is operating cars which it purchased about 10 years ago. Prior to July 1, 1914, no depreciation accrued on these cars. Are we required to account for depreciation during the remaining life of the car sufficient to provide for its retirement? In other words, must our charge to the depreciation account for the remaining years of the life of the car be sufficient to cover the entire depreciation which accrued from the date of purchase, which was prior to July 1, 1914?

Answer. It is intended that the operating expenses for each month, or each year, shall include sufficient reserve to provide for the current loss from depreciation accruing during that period. Therefore, beginning with July, 1914, each month's operating expenses shall be charged, under account No. 40, "Depreciation of equipment," with a monthly proportion of the estimated depreciation accruing during the year. It is not intended that the operating expenses of the period during which equipment is used subsequent to July 1, 1914, shall bear the entire depreciation on equipment which was in service prior to that date.

CASE 312.

Query. Account No. 209, "Income from sinking fund and other reserves," provides that "this account shall include the income accrued on cash, securities (not issued or assumed by the accounting company), and other assets held in sinking and other reserve funds." To what account should be credited the income on securities issued or assumed by the accounting company?

Answer. Under the rules contained in accounts No. 220, "Interest on funded debt," and No. 310, "Dividend appropriations of surplus," it is provided that a company shall not include therein interest or dividends upon funded debt or stocks issued or assumed by the company and owned by it. Interest on funded debt and dividends on stocks may accrue or be paid only on securities not held by or for the accounting company.

If contractual requirements necessitate increasing the sinking fund annually by the amount of income which would have accrued on the company's own securities if they were not owned by the company, such amount may be charged to account No. 309, "Appropriations of surplus to sinking fund and other reserves," and credited to the appropriate reserve account. The equivalent of this sum may then be paid in cash into the reserve fund, in which case "Cash" shall be credited and account No. 402, representing the sinking fund assets, shall be correspondingly charged.

CASE 313.

Query. This company purchased, according to the provision in one of its mortgages, \$8,000 (par value) of its bonds, for cash, at a premium of 1 per cent, amounting to \$80, plus accrued interest amounting to \$185.56.

- (1) To what account should be charged the premium of \$80?
- (2) To what account should be charged the interest amounting to \$185.56?
- (3) Should any adjustment be made for the face value, \$200, of the attached coupons next falling due, interest amounting to \$185.56 having accrued?

Answer. (1) The premium of \$80 shall be charged to account No. 317, "Miscellaneous debits," in accordance with the text of that account.

(2) The accrued interest of \$185.56 shall be charged to the account to which credit had been made for accrued interest.

(3) No adjustment as to the coupons is necessary, for the reason that it is not permissible for carriers to enter accruals of interest on bonds issued or assumed by them and reacquired.

CASE 314.

Query. Is it correct to charge to account No. 98, "Rent of equipment," demurrage paid on cars billed to our line on interline business?

If demurrage is paid on cars containing company coal, should such demurrage payments be included in the cost of the coal?

Answer. Demurrage paid on cars in interline revenue business shall be charged to account No. 98, "Rent of equipment."

Demurrage paid on cars containing company coal shall be charged to the coal supply account, thus entering into the cost of coal included in operating expenses.

CASE 315.

Query. Note B of account No. 40, "Depreciation of equipment," provides that depreciation assignable to the period prior to July 1, 1914, shall be charged to Profit and Loss. Is it the intention that the proportion of the actual loss from depreciation assignable to the period prior to July 1, 1914, shall be charged to Profit and Loss now, or shall it be charged thereto in the future, when the equipment is retired?

Answer. The charge to Profit and Loss for depreciation prior to July 1, 1914, may be made before or at the time of retirement of equipment. If the depreciation assignable to the period prior to July 1, 1914, is charged off before the equipment is retired, the credit shall be made to account No. 443, "Accrued depreciation—Road and equipment." If the depreciation assignable to the period prior to July 1, 1914, is not charged off until the equipment is retired, it shall be accounted for in accordance with the instructions contained in the last paragraph of section 14, page 19, of the Uniform System of Accounts.

CASE 316.

Query. Is it permissible to make a rental charge against a light department conducted by an electric railway for the use of poles and lines used jointly for both railway and light purposes?

Answer. No. It is proper, however, to charge the light department with an equitable proportion of the cost of maintaining poles and lines used jointly by the railway and light departments. Such joint expenses shall be first charged to the railway operating expense accounts, and the proportion assignable to the light department shall be cleared from the railway operating expenses by charging the light department and crediting account No. 27 or No. 62, "Other operations—Cr.," as may be appropriate.

CASE 317.

Query. This company has purchased an auto truck, which will be used for carrying newspapers and, by electricians, for repairing overhead wires. The company will receive \$10 a day for transporting the newspapers. To what account should be charged the cost of the truck, and to what account should be credited the revenue received for transporting the newspapers?

Answer. The cost of the auto truck shall be charged to road and equipment account No. 538, "Miscellaneous equipment." The amount received for transporting newspapers shall be credited to operating revenue account No. 109, "Miscellaneous transportation revenue."

CASE 318.

Query. What account should be charged with expenses incurred because of a strike of motormen and conductors?

Answer. There is no special account in which to include strike expenses. The wages of employees taking the place of strikers shall be charged to the same accounts to which would have been charged the wages of the employees on strike. The same disposition shall be made of overtime of such employees.

Any unusual transportation expenses (not wages or overtime), such as police protection, shall be charged to account No. 78, "Other transportation expenses."

Any general expenses incurred directly in connection with the strike and not provided for in the primary accounts preceding general account General and Miscellaneous shall be charged to account No. 89, "Miscellaneous general expenses."

CASE 319.

Query. To what account should be charged amounts paid to individuals for the privilege of cutting down trees at dangerous curves? These trees obstructed the view of the motormen.

Answer. Payments for the privilege of cutting down the trees shall be charged to account No. 502, "Right of way." The cost of labor trimming trees, or cutting bushes, standing close to right of way shall be charged to operating expense account No. 8, "Track and roadway labor." The cost of tools used in connection therewith shall be charged to account No. 9, "Miscellaneous track and roadway expenses."

CASE 320.

Query. A railway company is compelled by municipal ordinance to lower the track along a public street in order to make it agree with the official grade. To what account should this expenditure be charged?

Answer. The cost of lowering a track along a public street, such change being required by the municipality, shall be charged to road and equipment account No. 504, "Grading."

CASE 321.

Query. It has been the practice of this company since its organization to carry as a liability the total amount of unredeemed tickets, the balance being carried forward from year to year, no adjustment being made to reduce the amount outstanding. The balance of unredeemed tickets, to-day, includes an amount of approximately \$34,000, which we believe will never be presented for redemption. This amount has been arrived at after making allowance for the amount of tickets sold during the last three years and unredeemed. Will it be permissible to adjust this unredeemed ticket account by crediting Profit and Loss with \$34,000, which represents accumulations of unredeemed ticket balances during the period from 1882 to 1910? And may we hereafter make a credit to Profit and Loss representing a yearly adjustment of this unredeemed ticket balance?

Answer. For the reason that the item of \$34,000 represents accruals over a period of years it is permissible to credit this sum to profit and loss account No. 306, "Miscellaneous credits." Future annual adjustments, however, shall be credited to operating revenue account No. 101, "Passenger revenue."

CASE 322.

Query. This company, in 1907, sold \$300,000 (par value) of bonds at a discount of \$16,000. These bonds will mature in 1916, nine years after the date of sale. Is it correct to charge income account No. 222, "Amortization of discount on funded debt," annually, with one-ninth of the total discount of \$16,000, beginning with the fiscal year ending June 30, 1915? As the bonds mature on June 30, 1916, there will have been amortized on that date but two-ninths of the total discount of \$16,000, or \$3,555.55. How shall the remainder of the discount, \$12,444.45, be extinguished?

Answer. As the bonds were sold prior to the effective date of the Classification of Expenditures for Road and Equipment, First Issue, effective January 1, 1909, it will not be necessary at this time to adjust the road and equipment

accounts (assuming that all the discount was charged to road and equipment accounts) by charging such discount to income or profit and loss accounts, unless the carrier desires to make such adjustment. If it is desired to exclude the entire amount of discount from the property investment account, the income accounts for the fiscal years ending June 30, 1915 and 1916, may be charged with their respective proportions (\$1,777.78), and the remainder (\$12,444.44) may be charged to profit and loss account No. 313, "Debt discount extinguished through surplus."

CASE 323.

Query. To what account should be charged an amount refunded to a shipper in connection with an overcharge due to an error by one of our agents in misrouting?

Answer. The amount of the overcharge shall be charged to account No. 107, "Freight revenue."

CASE 324.

Query. A company acquired, through a receiver's sale, another railway property and assumed all of the outstanding obligations, which were promptly paid. Subsequently there was presented a claim for an attorney's fees for services rendered to the receiver. To what account should this fee be charged?

Answer. If the attorney's fee is an expense which your company properly is bound to assume as purchaser, the amount of the fee shall be charged to road and equipment account No. 527, "Cost of road purchased."

CASE 325.

Query. To what account should be charged the cost of driving a well to furnish water to condensers?

Answer. To account No. 539, "Power plant buildings," in the classification for road and equipment.

CASE 326.

Query. To what account should be charged the cost of keys for switch locks?

Answer. To operating expense account No. 67, "Miscellaneous car-service expenses."

CASE 327.

Query. To what account should an electric railway charge payments made to another company as a proportion of receipts from passengers carried over a viaduct owned by the other company, the tracks being owned and maintained by the railway company?

Answer. To operating expense account No. 97, "Rent of tracks and facilities." (See Case 20.)

CASE 328.

Query. An electric railway company carries some cans of milk on a branch line over which there is no express service, turning them over to a local express company under contract for handling on the main line. To what account should be credited the receipts for the transportation over the branch line, the payments for the transportation over the main line being made by the express company and credited to "Express revenue"?

Answer. Assuming that the transportation of milk on the branch line is conducted by an arrangement with the express company, credit shall be made to operating revenue account No. 105, "Express revenue."

CASE 329.

Query. To what account should be charged the cost of lightning arresters?

Answer. The cost of lightning arresters shall be charged to operating expense account No. 22, "Distribution system"; No. 33, "Electric equipment of cars"; No. 34, "Locomotives"; No. 47, "Power plant equipment"; No. 48, "Substation equipment"; or No. 49, "Transmission system," according to the location or purpose of the installation.

CASE 330.

Query. To what account should an electric railway company credit amounts received from the subleasing of a portion of a building leased by it for use in operation?

Answer. The amounts received shall be credited to operating revenue account No. 117, "Rent of buildings and other property."

CASE 331.

Query. To what account should be credited amounts received from an express company as extra compensation for the services of trainmen in handling express matter?

Answer. To the operating expense account to which the trainmen's pay is charged.

CASE 332.

Query. To what accounts should be credited amounts received from other lines for their proportions of wages and expenses at joint stations.

Answer. To the accounts to which the wages and expenses are first charged.

CASE 333.

Query. How should a lessee company account for the interest paid on the bonds of a lessor company in accordance with the terms of the rental agreement between them?

Answer. The amounts so paid shall be included in the lessee's income account No. 216, "Rent for leased roads," and correspondingly included in the lessor's account No. 203, "Income from lease of road."

CASE 334.

Query. To what account should be charged the cost of tools and brushes purchased for the use of carpenters and painters employed generally in the maintenance of way and structures on an interurban railway?

Answer. The cost shall be apportioned between account No. 19, "Miscellaneous way expenses," and account No. 24, "Buildings, fixtures, and grounds."

CASE 335.

Query. Sanitary drinking-cup vending machines are installed under a perpetual lease agreement by the terms of which the machines are to be returned to the manufacturer whenever the use of the cups is discontinued. The cups are placed in the vending machines and distributed in stations and cars by means of penny slot.

(1) To what account should be charged the machines and cups when purchased?

(2) To what account should be credited the revenue received from the cup machines?

Answer. (1) The cost of the vending machines shall be charged to account No. 537, "Furniture," or to account No. 530, "Passenger and combination cars," according to whether they are installed in stations or in cars. The cost of the cups shall be charged to account No. 67, "Miscellaneous car-service expenses," or to account No. 69, "Station expenses," according to where the cups are installed.

(2) The revenue from the sale of the drinking cups shall be credited to account No. 110, "Station and car privileges."

CASE 336.

Query. Curbing is placed between a reservation in the center of the street for the use of cars and that portion of the street used by teams. The curbs are for the purpose of keeping street traffic from the tracks. To what account should be charged the curbing along the side of the neutral strip not owned by the company?

Answer. The original cost of curbing between the space reserved for tracks in a public way and that used by other vehicles shall be charged to road and equipment account No. 516, "Crossings, fences, and signs," and the cost of maintenance shall be charged to operating expense account No. 16, "Crossings, fences, and signs."

CASE 337.

Query. A railway company has installed interior telephones connecting its general offices, all of which are located in a leased building. To what account should be charged the cost of these interior telephones?

Answer. Interior telephones having the character of movable apparatus shall be charged to account No. 537, "Furniture." When interior systems are leased for use in general offices the rent shall be charged to account No. 89, "Miscellaneous general expenses."

CASE 338.

Query. A company operating an interurban electric railway system, and also an electric power and light system serving communities on or adjacent to its interurban lines, agreed to furnish electric current for lighting a certain church, a school, and residences as compensation for use of private property for right-of-way purposes for one of its interurban lines. To what account in the Uniform System of Accounts for Electric Railways should be charged the cost of the electric current?

Answer. The cost of furnishing electric current in exchange for the use of private property for right-of-way purposes shall be charged to income account No. 217. "Miscellaneous rents." (*See Cases 20 and 33.*)

CASE 339.

Query. An interurban railway company, not engaged in a general freight business, moves steam railroad freight cars from one point to another, on two of its lines. The steam railroad freight cars are moved by being coupled to a work or service car. To what accounts should be credited the revenue derived from performing this service and to what accounts should be charged the cost thereof?

Answer. If the moving of the steam railroad freight cars is clearly but a switching service and is charged for at a rate per car, the credit shall be to account No. 108, "Switching revenue." Expenses in connection with the rendering of this service shall be charged to the appropriate operating expense accounts.

CASE 340.

Query. In what account in the general balance sheet should be included advances to a subsidiary corporation formed for the purpose of holding title to property not used for railroad purposes? The advances are for the purpose of enabling the subsidiary company to acquire real estate.

Answer. To account No. 405, "Investments in affiliated companies."

CASE 341.

Query. To what account should be charged the cost of painting switch targets mounted on and attached to switch stands? Also, to what account should be charged the cost of new switch targets purchased for switch stands on new installations?

Answer. The expense of painting switch targets mounted on and attached to switch stands shall be charged to operating expense account No. 6, "Special work." The cost of original installations of switch targets mounted on and attached to switch stands shall be charged to road and equipment account No. 508, "Special work."

CASE 342.

Query. To what account should be charged amounts paid telegraph companies for fire alarm service?

Answer. To operating expense account No. 24, "Buildings, fixtures, and grounds," or No. 46, "Power plant buildings, fixtures, and grounds," as may be appropriate.

CASE 343.

Query. To what account should be charged the cost of maps and drawings prepared by draftsmen in the maintenance of way and structures department and used in connection with personal injury claims and suits growing out of operation of passenger cars?

Answer. Wages and materials for such work shall be charged to operating expense account No. 92, "Injuries and damages."

CASE 344.

Query. (1) Should the wages of trainmen operating work trains engaged in maintenance be charged to account No. 66, "Miscellaneous car-service employees," or charged directly to the maintenance accounts affected?

(2) Should the cost of power used by work trains also be charged to maintenance accounts?

Answer. (1) The wages of trainmen operating work trains engaged in maintenance shall be charged to the maintenance accounts benefited.

(2) The cost of power used by work trains may be included in the appropriate operating expense accounts as a part of the cost of maintenance. The corresponding credit for such charges to maintenance accounts shall be made to account No. 61, "Power transferred—Credit." (*See text of account No. 61.*)

CASE 345.

Query. To what account should be charged the cost of uniforms given to trainmen who attain a perfect record, according to rules laid down by the company, in the prevention of accidents?

Answer. To account No. 89, "Miscellaneous general expenses."

CASE 346.

Query. To what account should be charged an amount paid annually to a water company for installation of a connection with a fire protection system in the company's car barns? The fact of having this connection reduces the insurance premium.

Answer. To account No. 24, "Buildings, fixtures, and grounds."

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Accounting Bulletin No. 10

INTERPRETATIONS
OF
ACCOUNTING CLASSIFICATIONS
PRESCRIBED BY THE
INTERSTATE COMMERCE COMMISSION
FOR
STEAM ROADS
IN ACCORDANCE WITH SECTION 20 OF THE
ACT TO REGULATE COMMERCE

Effective on July 1, 1915

(Supersedes Accounting Bulletin No. 8)



WASHINGTON
GOVERNMENT PRINTING OFFICE

1915

THE INTERSTATE COMMERCE COMMISSION.

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GEORGE B. MCGINTY, *Secretary.*

ORDER.

At a General Session of the INTERSTATE COMMERCE COMMISSION, held at its office in Washington, D. C., on the 24th day of July, A. D. 1915.

The subject of a Uniform System of Accounts to be prescribed for and kept by carriers being under consideration, the following order was entered:

It is ordered, That the interpretations of the accounting classifications for steam roads, prepared under the direction of this Commission and embodied in printed form to be hereafter known as Accounting Bulletin No. 10, a copy of which is now before this Commission, be, and the same is hereby, approved; that a copy thereof duly authenticated by the Secretary of the Commission be filed in its archives, and a second copy thereof, in like manner authenticated, in the office of the Division of Carriers' Accounts; and that each of said copies so authenticated and filed shall be deemed an original record thereof.

It is further ordered, That the accounting methods directed in the interpretations contained in the said Accounting Bulletin No. 10 be, and they are hereby, prescribed for the use of steam roads subject to the provisions of the Act to Regulate Commerce, as amended, in the keeping and recording of their accounts.

It is further ordered, That July 1, 1915, be, and it is hereby, fixed as the date on which the said Accounting Bulletin No. 10 shall become effective.

By the Commission.

[SEAL.]

GEORGE B. MCGINTY,
Secretary.

INTERSTATE COMMERCE COMMISSION,
DIVISION OF CARRIERS' ACCOUNTS,
Washington, July 24, 1915.

TO ACCOUNTING OFFICERS OF STEAM RAILWAYS:

This accounting bulletin, which contains interpretations of the accounting classifications in connection with various questions, supersedes Accounting Bulletin No. 8, which became effective July 1, 1912. Its preparation and issue became necessary on account of the issuance of the revised accounting classifications which became effective July 1, 1914.

In tentative form, this bulletin was submitted to the railroad commissions of the several States and to the Association of American Railway Accounting Officers. All suggestions received from such parties have been given careful consideration and many of them have been incorporated in this bulletin.

In many instances the questions are in substantially the same form as printed in Accounting Bulletin No. 8 or Accounting Series Circular No. 12e, only the necessary modifications to meet the effective accounting rules having been made. A number of the cases, however, contain questions which have arisen since the present classifications became effective.

FRED W. SWENEY,
Chief Examiner of Accounts.



INTERSTATE COMMERCE COMMISSION ACCOUNTING BULLETIN NO. 10.

INTERPRETATIONS OF ACCOUNTING CLASSIFICATIONS—STEAM ROADS.

CASE 1.

Query. Is it essential that books be written up monthly?

Answer. Accounts shall be written up monthly.

CASE 2.

Query. In adjusting material accounts to the basis of inventory, what account or accounts shall be credited or debited?

Answer. Determined differences in accounting for important classes of material are ordinarily assignable to discrepancies in charges to particular accounts since the last inventory and shall be adjusted accordingly. Other differences shall be apportioned among the primary expense accounts on the basis of the material charges to them since the last inventory. (*See Case 74.*)

CASE 3.

Query. Road A grants separately to Road B and Road C the right to operate over its tracks which it maintains but over which it does not itself operate. The lessees each pay a proportion of a fixed rent, and reimburse Road A proportionately for taxes on and maintenance of the leased tracks. What is the proper accounting for these items by the carriers interested?

Answer. Road A shall charge the taxes to account No. 532, "Railway tax accruals." The amounts payable by Roads B and C representing rent and taxes shall be credited by Road A to account No. 508, "Joint facility rent income," and shall be charged by Roads B and C to account No. 541, "Joint facility rents." The amounts payable by Roads B and C representing the cost of maintenance shall be accounted for in the appropriate joint facility accounts in Operating Expenses. (*See Case 28.*)

CASE 4.

Query. To what account shall be charged damages for overflows caused by inadequate waterways?

Answer. To appropriate accounts in Maintenance of Way and Structures when the property damaged is the carrier's own; to account No. 416, "Damage to property," when it is the property of others and not held by the carrier under lease. If, however, the damage is directly connected with projects the cost of which is chargeable to road and equipment accounts, the amount of the damage shall be included in the cost of the work.

CASE 5.

Query. What is the proper accounting for the proportions of pay and expenses of joint car inspectors which carriers pay to foreign roads?

Answer. They shall be charged to the appropriate equipment repair accounts. They are not joint facility items.

CASE 6.

Query. The text of the clearing account "Material store expenses" provides that the account shall be closed out at the end of the year. Shall not a balance representing cost of handling material in stock at the end of the year be carried over to the next year?

Answer. Such balance shall not be carried over to the next year.

CASE 7.

Query. To what account shall be charged expenses of hauling loads from mines to points of concentration and distributing empties to mines?

Answer. If the mines are located within the switching limits of the concentration station, such expenses shall be charged to the appropriate yard-service accounts. If not so located, and the freight is billed from the mines, the entire service shall be classed as train service.

The expenses and the statistics of locomotive-miles, car-miles, train-miles, ton-miles, etc., shall be treated accordingly. (See Case 97.)

CASE 8.

Query. To what account shall be charged the wages of motormen and the expenses of operating gasoline motor cars used in revenue train service?

Answer. Wages of motormen are provided for in account No. 393, "Train motormen." The expense for gasoline and other fuel, lubricants, and other supplies, including enginehouse expenses, if any, shall be charged to account No. 402, "Train supplies and expenses." The carrier's records shall be kept in such manner as to show separately the cost of gasoline or other fuel consumed in the operation of such cars.

CASE 9.

Query. Road A turns Road B's locomotive. A charges B for turning the locomotive and for use of the tracks. What is the correct accounting by both roads?

Answer. If the use of the facilities is not in connection with the joint use regularly of other facilities, the compensation for turning the locomotive and for use of the tracks shall be credited by A to revenue account No. 143, "Miscellaneous," and charged by B to expense account No. 402, "Train supplies and expenses." If, however, the use of these facilities is under a joint facility arrangement, the accounting by each road shall be in accordance with the rules prescribed for joint facility accounts.

CASE 10.

Query. When the president of a carrier company is directly in charge of the operating departments, how shall the salaries and expenses of that officer and his clerks be distributed?

Answer. If the president is immediately in charge of the departments usually supervised by officers named in the accounts "Superintendence" under Maintenance of Way and Structures, Maintenance of Equipment, Traffic, and Transportation, his salary and expenses and those of his clerks and assistants shall be apportioned in accordance with Note A under expense account No. 451, "Salaries and expenses of general officers." If the president has, as is usual, only general supervision over the various departments, his salary and expenses shall be charged to expense account No. 451, "Salaries and expenses of general officers."

CASE 11.

Query. Road B is required, under agreement with Road A, to provide equipment to replace that destroyed or sold, or to pay an equivalent in cash to Road A. Is it per-

missible for B to keep a dismantled-equipment account wherein to show the exact amount due A because of dismantled and sold equipment?

Answer. Such an account may be kept. The credit balance in such account shall be included in balance-sheet account No. 778, "Other unadjusted credits."

CASE 12.

Query. In what account shall be included the cost of coal, wood, and oil for use in firing up locomotives for service?

Answer. In the appropriate account "Fuel for locomotives."

CASE 13.

Query. To what account shall a carrier credit amounts received for the privilege of placing a telephone line over its tracks? The right is reserved to revoke the privilege at pleasure.

Answer. The privilege given is merely a license, and the receipts therefrom shall be credited to income account No. 519, "Miscellaneous income."

CASE 14.

Query. To what accounts shall be credited amounts charged to other roads for transferring the lading of cars? These transfers are made necessary through fault of the other roads, and the charges include the cost of transferring the lading, per diem or car hire accruing upon the cars, and a charge per car for switching.

Answer. The portions of such charges covering per diem or car hire accruing on cars at the time of transfer shall be credited to the account "Hire of freight cars." The portions of the charges covering the cost of transferring the contents of cars shall be credited to the account to which the cost of the transfer service is charged. The charges per car for switching such cars shall be credited to revenue account No. 110, "Switching."

CASE 15.

Query. A railroad operates some of its station restaurants and leases others at a nominal rent, the lessee receiving all revenues and paying all expenses except as to coal and ice, which are furnished without charge by the railroad. To what account shall the railroad charge the cost of the coal and the ice thus furnished for use in the leased restaurants?

Answer. Such cost shall be charged to operating expense account No. 376, "Station supplies and expenses."

CASE 16.

Query. A railroad purchased a building, apart from its right of way, for use as a dwelling by a superintendent, taking the title thereto in the name of a vice president, who filed with the railroad a declaration of trust. How shall this expenditure be classified?

Answer. Such expenditure shall be included in balance-sheet account No. 705, "Miscellaneous physical property."

CASE 17.

Query. What accounts shall be charged with the loss on obsolete material which is taken out of stock and sold as scrap?

Answer. Such loss shall be charged to the operating expense accounts to which the material ordinarily would be charged if issued for use.

CASE 18.

Query. Road A and Road B operate their trains over a portion of A's tracks. A charges B rent based on the valuation of the property. B maintains and operates these tracks and is reimbursed by A for a portion of the expenses, reckoned upon a wheelage basis. What is the correct accounting?

Answer. Both roads shall include the rent in joint facility rent accounts in Income. The cost of maintenance and operation shall be included in B's primary accounts; the proportion of such cost paid by A shall be included by both roads in the appropriate joint facility expense accounts. (See Case 28.)

CASE 19.

Query. To what account shall be charged expenses and settlement payments on account of injuries to a prospective passenger caused by a maintenance-of-way work train?

Answer. The class of train causing the injury determines the distribution of the charge. Therefore such expenses and settlements shall be charged to maintenance expense account No. 274, "Injuries to persons." (See Case 119.)

CASE 20.

Query. Road A makes all repairs to Road B's equipment and charges B the actual cost thereof. For the purpose of determining accurately the cost of these repairs is it permissible that the operations of A's shops be treated through a clearing account?

Answer. It is.

CASE 21.

Query. How shall a carrier dispose of amounts allowed for loyal service of certain employees during a strike?

Answer. Such allowances shall be distributed to the accounts to which the pay of the employees is chargeable.

CASE 22.

Query. In what accounts shall be included the pay and expenses of—

- (a) An auditor who acts as general bookkeeper?
- (b) A general superintendent who is immediately responsible for the whole local management of the road?
- (c) A general agent who acts as clerk to the general superintendent and as local agent at the only station where there is an agent?

Answer. Such expenses shall be included as follows:

- (a) Expense account No. 451, "Salaries and expenses of general officers."
- (b) Shall be apportioned as directed in Note A under account No. 371, "Superintendence."
- (c) The proportion covering services as clerk shall be apportioned in accordance with Note A under account No. 371, "Superintendence," and the remainder shall be included in account No. 373, "Station employees."

CASE 23.

Query. The tracks, station buildings, and other facilities between X and Y, owned by Road A, are used jointly by A and Road B. For the use of these facilities B pays A a specified rent upon a valuation basis, proportion of cost of maintenance upon a wheelage basis, and agreed proportion of the cost of station service (principally train telegraph service).

B's trains handle A's local freight and passenger business between these points in consideration of a stipulated percentage of revenue. What is the correct accounting by each railroad?

Answer. The specified rent shall be included in the joint facility rent accounts in Income. Proportion of cost of maintenance and operation shall be included in the appropriate joint facility operating expense accounts.

The proportion of the cost of maintaining and operating these tracks being provided for in a distinct arrangement, the percentage of revenue upon the local business retained by A shall be considered as additional rent and included by each carrier in the appropriate joint facility accounts in Income.

Road B shall include in its revenues the entire receipts from the local freight and passenger traffic between X and Y which is transported upon its trains and shall account for such traffic in its statistics.

CASE 24.

Query. How shall the revenues be classified when a carrier furnishes picnic trains at rates based on the number of cars in the trains, regardless of the number of people carried?

Answer. They shall be included in account No. 111, "Special service train."

CASE 25.

Query. To what account shall be credited the slight profits accruing from percentages added to bills against other companies and individuals to cover superintendence, use of tools, etc.?

Answer. Such profits shall be credited to Operating Expenses. (*See Cases 61 and 79.*)

CASE 26.

Query. Shall per diem reclaims be treated as a matter of hire of equipment?

Answer. They shall be so treated. (*See Case 29.*)

CASE 27.

Query. To what account shall be credited the amounts received upon the basis of a rate per car for switching express cars from one railroad to another as a part of a regular transportation movement?

Answer. Amounts received for such services shall be credited to revenue account No. 110, "Switching."

CASE 28.

Query. Road B has trackage rights over the line of Road A between two points, the consideration for these rights being based on a toll per loaded car. How shall the payments for these trackage rights be accounted for when A maintains the tracks between the two points?

Answer. Road A shall charge the expenses of maintenance, operation, etc., to its primary operating expense accounts. The charges against B shall be fairly apportioned by A among the joint facility operating expense and income accounts. The amount apportioned to maintenance shall be credited by A to account No. 279, "Maintaining joint tracks, yards, and other facilities—Cr."; that to operation, to account No. 391, "Operating joint yards and terminals—Cr.", or to account No. 413, "Operating joint tracks and facilities—Cr.", according to location of facilities; and that to income for interest on valuation or rent, to account No. 508, "Joint facility rent income." Road B shall charge the corresponding joint facility operating expense and income accounts.

In case considerable general expenses are involved in operations of the joint facilities, amounts shall be apportioned to cover such general expenses, which amounts shall be included in accounts "General joint facilities."

CASE 29.

Query. How shall per diem charges paid and reclaims received be accounted for by a switching railroad whose cars seldom leave its own line?

Answer. The per diem shall be charged and the reclaims shall be credited to income account "Hire of freight cars." (See Case 26.).

CASE 30.

Query. A railroad company sends out a locomotive and crew to pick up lumber lost off a freight train belonging to another company. To what account shall the wages of the crew and the compensation for the use of the locomotive be charged, and to what accounts credited?

Answer. The wages of the crew and expenses of the locomotive shall be charged by the company responsible for the loss of the lumber to expense account No. 418, "Loss and damage—Freight," and the creditor shall credit these items to the accounts to which they were originally charged. If a charge is made for rent of the locomotive, the amount thereof shall be included by both companies in the appropriate locomotive rent account in Income.

CASE 31.

Query. Road A pays all the expenses of a train service operated from an intermediate point on its lines to an intermediate point on Road B's line and charges B upon basis of train mileage the cost of the service while upon B's tracks. Each road receives the revenue accruing upon its own line. What is the proper accounting for the expense of the service?

Answer. The expenses shall be included by each railroad in the primary expense accounts other than joint facility accounts. This is not a joint facility. If any portion of the charge for the train service is for hire of equipment, the amount thereof shall be included in the appropriate equipment rent accounts in Income.

CASE 32.

Query. It is provided in account No. 418, "Loss and damage—Freight," that interest and penalties assessed for nonpayment of freight claims shall be included in this account. Is this provision intended to include interest and penalties on overcharge claims?

Answer. Interest and penalties on loss and damage claims shall be included in account No. 418, "Loss and damage—Freight." Interest on overcharge claims shall be included in account No. 547, "Interest on unfunded debt." Penalties on overcharge claims shall be included in account No. 460, "Other expenses."

CASE 33.

Query. In what account shall be included the rents paid by one carrier to another carrier for the exclusive use of yards and tracks—

(a) When upon the basis of a specified amount per month?

(b) When upon the basis of the number of cars handled over such tracks?

All expenses of maintenance are paid by the lessee. The taxes are paid by the lessor.

Answer. The rents, under either of the conditions stated, shall be included in the lease-of-road accounts in Income.

CASE 34.

Query. A company keeps a separate or independent fund from which pensions are disbursed. A certain amount per month, making an annual total 12 times as great, is appropriated through the Income Account and credited directly to an open account, which is closed annually when the amount is paid over. The pension fund is invested in interest-bearing securities. Whenever pensions are paid the amounts are debited to an open account and about every quarter collected from the trustee of the fund. There are no administration or other expenses in connection therewith. What is the proper accounting?

Answer. Amounts thus appropriated shall be charged to account No. 552, "Income applied to sinking and other reserve funds," and shall be concurrently credited to account No. 782, "Miscellaneous fund reserves." When such funds have been paid into the hands of trustees, the amount thereof shall be charged to balance-sheet account No. 721, "Insurance and other funds." The amount of pensions accrued shall be charged to account No. 457, "Pensions," and when paid shall be credited to account No. 721, "Insurance and other funds." Concurrently account No. 782, "Miscellaneous fund reserves," shall be charged, and Profit and Loss credited with an equal amount.

CASE 35.

Query. To what account shall be credited the difference between the value of special-admission amusement coupons issued in connection with transportation and the amount paid on the basis of actual collection?

Answer. The difference shall be credited to revenue account No. 143, "Miscellaneous."

CASE 36.

Query. To what account shall be charged the expense of removal of brasses from cars to prevent the loss of the brasses by theft when the cars are stored in hazardous locations?

Answer. Such expense shall be charged to the appropriate car repair account.

CASE 37.

Query. To what account shall be charged the amount of a judgment, including court costs, in an action of the United States against a carrier on account of defective appliances on cars?

Answer. It shall be charged to profit and loss account No. 621, "Miscellaneous debits." (See Cases 38 and 90.)

CASE 38.

Query. What account shall be charged with United States Government fines imposed by the collector of customs for the delivery of freight in bond directly to the consignee, instead of to the collector of the port, the offense being due to the failure of the delivery clerk at a freight yard to notify the customhouse inspector at the point of delivery?

Answer. They shall be charged to profit and loss account No. 621, "Miscellaneous debits." (See Cases 37 and 90.)

CASE 39.

Query. To what account shall be charged premiums paid to procure currency needed to pay the wages of employees?

Answer. They shall be charged to expense account No. 460, "Other expenses."

CASE 40.

Query. Two box cars which were carried in the carrier's account at the salvage value only are condemned, the bodies taken for use as bunk houses for track laborers, and the trucks put into service for wrecking purposes. What is the correct accounting?

Answer. Assuming that the equipment had been regularly written down to the amount of the salvage value, this amount shall be credited to road and equipment account No. 53, "Freight-train cars"; the proportion of this value represented by the salvage contained in the bodies of the cars, together with the cost of fitting up bodies as bunk houses, shall be charged to road and equipment account No. 17, "Roadway buildings." If the houses are used by laborers engaged in construction work, their cost shall be included in the accounts in which also is included the labor of the men who use them, and when such work is completed the accounts thus charged shall be credited with the depreciated value of the bunk houses.

The value of the salvage in the trucks shall be charged to the appropriate material account.

CASE 41.

Query. Road A has a drawbridge over a bayou, for the operation of which it employs bridgemen, the expense being prorated among four railroads. How shall amounts received by A be credited?

Answer. If the bridge is in a yard, credit expense account No. 391, "Operating joint yards and terminals—Cr."; if on road, credit expense account No. 413, "Operating joint tracks and facilities—Cr."

CASE 42.

Query. A carrier has an arrangement with other carriers whereby, for trackage rights within a certain district on its line, it receives as compensation a fixed allowance per car. This allowance is apportioned to joint maintenance, operating, and income accounts, the division being based upon estimates and available statistics for previous years.

What account shall be credited for an amount billed against one of these tenants for an accident damaging the carrier's tracks and some of the equipment of other carriers resting upon those tracks, and also an amount paid to one of the carrier's employees in settlement of a personal injury claim occasioned by such accident, the understanding being that the railroad causing the accident shall pay the expenses incident thereto, in addition to the amount it pays for trackage?

Answer. The carrier incurring the expenses, which under the contract belong solely to another carrier, shall, so far as practicable, charge the amounts of such expenses directly to account No. 715, "Miscellaneous accounts receivable," and credit pay roll, voucher, or material accounts, as the case may be.

The carrier responsible shall charge the expenses to its primary operating expense accounts other than joint facility accounts. (See Cases 63, 66, and 132.)

CASE 43.

Query. To what accounts shall interest paid on material bills be charged and cash and trade discounts be credited?

Answer. Interest shall be included in Income. All discount realized on bills for material purchased shall be credited to the account to which is charged the original invoice.

CASE 44.

Query. Amounts paid by Road A for hire of equipment used in joint-yard operations are prorated among three tenant lines upon basis of number of cars handled for each. How shall the payments and receipts be included in A's accounts?

Answer. They shall be included in the appropriate equipment rent accounts in Income.

CASE 45.

Query. Road A distributes the amount charged Road B upon a lump-sum basis for the joint use by B of A's terminal, as follows:

	Per cent.
"Maintaining joint tracks, yards, and other facilities—Cr.".....	10
"Operating joint yards and terminals—Cr.".....	25
"Joint facility rent income".....	65

Is it proper to apportion any part of such charges to rent?

Answer. If A owns the property operated jointly, the amount in excess of the proportionate expense of maintenance and operation shall be included by each railroad in the joint facility rent accounts in Income.

CASE 46.

Query. Road B uses Road A's tracks between two points, paying therefor a rent based upon valuation and also a proportion of maintenance and operating expenses based upon wheelage.

- A pays B a per cent of the value of A's tickets honored on B's trains.
- B pays A a per cent of cash fares on B's trains between the two points.
- B pays A full local rate on tickets sold by B honored on A's trains.

How shall each road take the above items into its accounts?

Answer. The accounting shall be as follows:

(a) B shall credit full value of tickets to revenue account No. 102, "Passenger." The amount of this revenue less the amount paid by A to B shall be charged by B to income account No. 541, "Joint facility rents," and shall be credited by A to income account No. 508, "Joint facility rent income."

(b) B shall charge amount paid and A shall credit amount received to joint facility rent account in Income.

(c) A shall credit and B shall charge the full value of the tickets to revenue account No. 102, "Passenger."

CASE 47.

Query. To what account shall be credited the amount received by a carrier for the surrender of an unexpired lease for offices occupied by it?

Answer. It shall be credited to profit and loss account No. 607, "Miscellaneous credits."

CASE 48.

Query. Owing to certain freight yards of a carrier becoming congested it is found necessary to deliver cars at another point temporarily. The delivery involves special movements a distance of 1 to 3 miles. Shall the movements be included with freight-train miles or considered switching or yard movements of which no wheelage report would be made other than for the locomotive?

Answer. Mileage shall be considered merely as of switching or yard movements.

CASE 49.

Query. A lumber company's log train uses a carrier's line between its logging camp and mill. The equipment is owned by the lumber company and is operated by its employees, although, while on the carrier's line, the trains are under orders of the carrier's dispatcher. The carrier is compensated on a mileage basis. Shall this mileage be included in the carrier's statistics?

Answer. It shall not be so included.

CASE 50.

Query. May the distribution of the cost of fuel, stores, and other supplies for yard locomotives and for work-train service, be made upon the basis of the mileage of yard and work locomotives for the month preceding that in which the expense is incurred?

Answer. The distribution of each month's operating expenses shall be based upon the operation for that month.

CASE 51.

Query. On account of Road A owning no equipment, Road B supplies the necessary equipment and maintains and operates A's road. B charges A the cost of maintenance and operation, with exception of the maintenance of equipment and the cost of engine and train service. B receives all revenues and pays A agreed proportions of the revenues upon through traffic only. What is the correct accounting?

Answer. All revenue and expenses incident to the operation of A's road shall be included in B's accounts. All mileage statistics, including passenger, ton, train, car, locomotive, etc., shall be included in B's records and reports. The difference between the proportion of the revenue due to A and the proportion of operating expenses payable by A to B constitutes A's compensation for the use of its road and shall be charged by B to income account No. 542, "Rent for leased roads."

In case the result is a loss to A, the amount of the deficit shall be credited by B to account No. 542, "Rent for leased roads," and charged by A to account No. 509, "Income from lease of road." B shall include the cost of maintenance and operation in its primary operating expense accounts.

CASE 52.

Query. Road A operates its yard for the joint benefit of its own service and that of Road B. In an enginehouse at this point A's train locomotives, B's train locomotives, and the locomotives used in operating the joint yard are prepared. What is the correct accounting for the expense of preparing these locomotives in this enginehouse?

Answer. The expense of preparing the joint-yard locomotives shall be included by A in account No. 388, "Enginehouse expenses—Yard," and the amount of such expense chargeable to B shall be credited by A and charged by B to the appropriate account "Operating joint yards and terminals." A has the option of clearing the cost of preparing B's train locomotives through account No. 400, "Enginehouse expenses—Train," or of crediting the amount of such cost to its payroll and material accounts. A shall charge the cost of preparing its train locomotives to account No. 400, "Enginehouse expenses—Train," and B shall include in the same account the cost of preparing its train locomotives.

CASE 53.

Query. Road A cleans Road B's cars and supplies them with oil and gas for lighting, and with water, ice, and coal, and with oil and waste for lubrication, upon the basis of the actual cost of the labor and supplies. What is the proper accounting by each company for these expenses?

Answer. A shall distribute these expenses from its labor and material accounts directly against B. B shall charge its proportion of the expenses to the appropriate operating expense primary accounts other than joint facility accounts. (See Case 161.)

CASE 54.

Query. Road A operates one of its yards for the joint benefit of its own service and that of Road B. Each road furnishes its own coal, delivered in cars at this yard. The coal used by the locomotives at this point is handled through the coal bins owned by Road A, separate bins being provided for the coal used upon B's locomotives. The cost of operating this fuel station is apportioned by A between its own train service, B's train service, and the service of the joint yard (which is operated by A) upon the basis of quantity of coal supplied. The proportion charged to the joint yard is divided between the two railroads upon the basis used for division of other joint-yard expenses. How shall these fuel station expenses be treated in the accounts of the two companies?

Answer. A shall include the entire cost of the operation of the fuel station in an appropriate clearing account and shall clear such expenses through the following charges. The proportion of the cost of handling fuel for B's train locomotives shall be charged directly to B. The proportion of the cost of handling fuel assignable to A's train locomotive service shall be charged by A to account No. 394, "Fuel for train locomotives." The proportion of the cost of handling the fuel assignable to the joint-yard service shall be charged by A to account No. 382, "Fuel for yard locomotives." B shall charge the cost of handling the fuel for its train locomotives to account No. 394, "Fuel for train locomotives." A shall credit and B shall charge the appropriate accounts for operating joint yards and terminals, with B's proportion of the cost of handling the fuel used in the joint-yard service.

CASE 55.

Query. The contract between Road B and Road A under which B uses the terminals of A at Y provides for the furnishing from A's storehouse of certain materials and supplies (including materials and supplies for locomotive and train use) for use in the operation of B's line south of Y. A's storehouse is not included in the schedule as a joint structure. How shall the charges covering the materials and supplies be treated in the accounts?

Answer. The amounts charged B for materials and supplies shall be credited by A to the material and supplies account and charged by B to the appropriate primary expense accounts other than joint facility accounts.

CASE 56.

Query. A carrier operates two freight houses at a terminal and furnishes all the facilities and labor for handling merchandise shipments for tenant lines. It charges them for this service a rate per ton. To what account shall be credited the amounts collected?

Answer. The portion of the charges representing maintenance and operation shall be credited to the appropriate joint facility accounts in Operating Expenses; that portion representing payments for the use of capital and for taxes shall be credited to income account No. 508, "Joint facility rent income." (See Case 28.)

CASE 57.

Query. When is a road under construction required to commence keeping accounts for operating revenues and operating expenses?

Answer. Accounts of operating revenues and operating expenses shall be kept as soon as the road begins the operation of transportation service trains.

CASE 58.

Query. A carrier participates in the operation of a through dining-car line, the equipment of which is owned by another carrier. How shall its proportion of loss be handled?

Answer. Each carrier shall include its proportion of the revenues in account No. 131, "Dining and buffet," and its proportion of the expenses in the appropriate operating expense primary accounts other than joint facility accounts. The operating carrier shall credit the rents of equipment to account No. 505, "Rent from passenger-train cars," and the participating carrier shall charge them to account No. 538, "Rent for passenger-train cars."

CASE 59.

Query. In 1906 a carrier acquired and charged to equipment account a box car costing \$640. This car was destroyed in 1910 upon a foreign line. The trucks were repaired and returned. The value of these trucks was \$175. The carrier rendered bill against the foreign line for \$344, this being the value under Master Car Builders' Association rules of the body of the car at the time it was destroyed. The carrier had charged \$60 to Operating Expenses and credited the same amount to balance-sheet account No. 776, "Accrued depreciation—Equipment," to cover depreciation of the car from July 1, 1907, to the date of its retirement. The depreciation accruing previous to July 1, 1907, amounted to \$20. What entries are necessary for a proper accounting for the retirement of this car?

Answer. The text of road and equipment general account II, Equipment, quite fully describes the proper accounting for equipment retired. The following statement of this particular case, in journal entry form, may prove an additional aid in determining the correct accounting:

No. 776, "Accrued depreciation—Equipment" (an amount equal to the amount previously credited thereto with respect to this car).....	\$60
No. 715, "Miscellaneous accounts receivable" (amount charged foreign line).....	344
No. 716, "Material and supplies" (value of trucks).....	175
No. 619, "Loss on retired road and equipment" (depreciation to July 1, 1907).....	20
No. 316, "Freight-train cars—Retirements".....	41
No. 53, "Freight-train cars" (cost of car).....	\$640

CASE 60.

Query. To what account shall be charged the cost of options upon lands for terminals and approaches of a bridge, the plans for construction of which were postponed?

Answer. The amount paid for options on property which it was proposed to use in the construction of terminal and bridge-approach improvements shall be carried in a suspense account until the proper disposition has been finally determined. If, later, the plan is definitely abandoned, and the amount expended is lost, the loss sustained shall be charged to Profit and Loss.

CASE 61.

Query. To what account shall freight charges over the line owning tracks be credited when they are added to the cost of maintenance material charged against joint users of the tracks?

To what account shall be credited percentage added to joint-track bills for superintendence and store expenses?

Answer. Amounts included in joint facility bills representing freight charges shall be credited to revenue account No. 101, "Freight," and amounts representing superintendence and store expenses shall be credited by the operating company to Oper-

ating Expenses through the joint facility accounts. It is not intended that minor profits from percentages added to such bills shall be credited to the revenue accounts. (See Cases 25 and 79.)

CASE 62.

Query. A bridge was damaged by a wreck. Although it was possible to repair the bridge where it stood, the railroad management considered it economy to remove the bridge to the shops for repairs. Pending the repairs, a temporary pile structure was installed. To what account shall the cost of the temporary bridge be charged?

Answer. The cost (less salvage) of the temporary bridge shall be charged to expense account No. 208, "Bridges, trestles, and culverts."

CASE 63.

Query. Road B is responsible for the damage done by one of its locomotives to Road A's interlocking plant. This plant is a joint facility of the two railroads. In what account shall B include the expense of repairs?

Answer. The expense of such repairs shall be included in expense account No. 416, "Damage to property."

CASE 64.

Query. To what account shall be charged the pay of timekeepers engaged in construction work, and the cost of tents, bunks, and materials used by them?

Answer. Such expenditures shall be distributed to the cost of the specific work to which the timekeepers are assigned.

CASE 65.

Query. Two houses on carrier's right of way are occupied by roadway employees, rent free. Is it proper to credit an amount representing a fair rent for the houses to revenue account No. 142, "Rents of buildings and other property," and debit the repairs to expense account No. 229, "Roadway buildings"?

Answer. It is not intended that amounts which do not represent revenue actually earned shall be credited to the revenue accounts; neither is it intended that amounts which do not represent actual expenses shall be charged to the expense accounts. No credit shall be made to the revenue accounts for rent of houses on right of way occupied by employees, rent free. The cost of repairing the houses is a proper charge to expense account No. 229, "Roadway buildings."

CASE 66.

Query. Shall the distribution of extraordinary expenses for injuries to persons and damage to property, the result of casualties in connection with the operation of joint facilities, be made through the joint facility accounts or through the other primary accounts?

Answer. All such expenses incurred in the operation of joint facilities, in which the parties to the contracts for such operation jointly participate, shall be handled through the appropriate joint facility accounts. (See Cases 42 and 132.)

CASE 67.

Query. To what accounts shall bills be distributed when rendered against other companies for their proportions of wages of crossing flagmen stationed where there are no towers or gates?

Answer. If the crossing flagmen are employed at road crossings where the tracks of two or more companies are parallel and there are no tracks used jointly, the proportions billed against other companies shall be credited by the billing road to expense account No. 405, "Crossing protection," and taken up in the same account by the paying road. If, on the contrary, the flagmen are located at street or road crossings in joint yards, such bills shall be included in the account "Operating joint yards and termi-

nals," and if on joint tracks outside of yards, in the account "Operating joint tracks and facilities."

CASE 68.

Query. Road B runs its trains for a distance over Road A's tracks, paying a fixed rent per year for the privilege. These trains are operated by B's crews. Which road shall report the train-miles of B's trains while on A's tracks?

Answer. B shall include in its statistics the train-miles, car-miles, etc., for its trains operated on A's tracks.

CASE 69.

Query. In April, 1902, a carrier completed a spur track, the cost of which was charged to Operating Expenses. The larger part of the material used was second-hand. In December, 1908, the track was taken up and not replaced. In view of the fact that the cost of the track was included in operating expenses, shall not the salvage, if any, be charged to a material account and surplus credited with a similar amount?

Answer. The salvage shall be charged to a material account and Profit and Loss credited with a similar amount. Expenses incident to the retirement of the track shall be charged to Profit and Loss.

CASE 70.

Query. To what account shall a railroad credit rent received from a telephone company for joint use of its trolley poles?

Answer. Such rent shall be included in revenue account No. 142, "Rents of buildings and other property."

CASE 71.

Query. To what accounts shall a carrier credit the value of scrap which recently has been gathered and sold, and charge the cost of gathering same for sale? This scrap has been scattered along the road for years, and it is now impossible to say to what equipment or structures it originally belonged. It has never been carried in any material account.

Answer. The receipts from the sale of this scrap, less the cost of assorting it, shall be credited to material accounts and cleared from these accounts to Operating Expenses. The cost of gathering the scrap shall be charged to expense account No. 202, "Roadway maintenance."

CASE 72.

Query. At various terminals on a section of Road A's line, which is jointly operated with Road B, switching locomotives are furnished by B. How shall the compensation for the use of these locomotives, which includes rent and the cost of repairs, be accounted for?

Answer. The proportion of compensation which covers the cost of repairs to and depreciation of the locomotives shall be cleared through accounts "Maintaining joint equipment at terminals." The remainder, representing return on capital invested in the locomotives, shall be credited by B and charged by A to the appropriate locomotive rent accounts in Income.

CASE 73.

Query. Road A loans a locomotive and three coaches to Road B for excursion service, and charges B for trackage and wages of employees delivering the equipment. How shall these charges be treated?

Answer. The charge for trackage shall be credited to account No. 143, "Miscellaneous." The charge for wages of employees shall be credited to the pay roll account to which the wages of employees have been charged. The carrier has the option of clearing the wages through the appropriate operating expense accounts. (See Case 174.)

CASE 74.

Query. May the adjustment of material accounts to the basis of inventories be deferred to a period subsequent to the year in which the inventories are taken?

Answer. Such adjustments shall be made in the accounts of the year in which the inventories are taken. (See Case 2.)

CASE 75.

Query. A company handles logs and ores extensively and to get this freight is obliged to build temporary tracks into the woods and to the mines. Is it permissible, instead of charging the entire cost of these tracks to the road and equipment accounts, to charge the material, such as rails, angle bars, and switches, to these accounts, and to include in Operating Expenses the cost of the ties, bolts, and grading? In this way the irrecoverable portion of these tracks is disposed of during the time revenue from them is being received and not after the revenue is all in.

Answer. The entire first cost of the sidings and spur tracks shall be charged to the road and equipment accounts. The classifications permit the carrier to include the depreciation upon these tracks in operating expenses during the period they are in use.

CASE 76.

Query. How may a carrier make adjustment of the differences, due to insufficient charges for depreciation, between the value of equipment as carried in its property account and the actual value of the equipment as ascertained by an inventory appraisal?

Answer. If a carrier's equipment accounts prior to July 1, 1907 (the effective date of the depreciation accounts in Operating Expenses) show insufficient charges for depreciation, and a carrier elects to make an adjustment so that the property account Equipment shall in fact reflect the cost of equipment in service and the depreciation accounts reflect the full amount of depreciation accrued on such equipment from the beginning of its life, such adjustment for depreciation prior to July 1, 1907, shall be made through Profit and Loss.

Advice as to the proper disposition of differences due to insufficient charges for depreciation after July 1, 1907, will be given by the Commission upon receipt of particulars of such discrepancies.

CASE 77.

Query. Road B, as agent for Road A, furnishes the necessary equipment and operates passenger trains a distance over Road A's tracks. A pays B a rate per train-mile for the service and receives all local revenue and proportion of revenue for through traffic in trains while on these tracks. What is the proper accounting for these revenues and expenses?

Answer. Road A shall credit the revenue of the trains to the primary revenue accounts under Transportation and shall report all passenger and mileage statistics of the trains.

The amount paid for the train service shall be divided, upon a basis agreed to between the two roads, into two parts; one part, representing the rent of the equipment, shall be included by each road in the appropriate equipment rent accounts in Income, the other part, representing the expenses of operation, shall be charged by A under general accounts Maintenance of Equipment and Transportation to the primary accounts other than joint facility accounts, and shall be credited by B to the same accounts.

CASE 78.

Query. A railroad is constructed at a cost equal to the amount realized from the proceeds of a bond issue. Capital stock is issued gratuitously to stockholders. What entries shall be made in the balance-sheet accounts on account of the issue of this stock?

Answer. The par value of the stock issued shall be credited to account No. 751, "Capital stock," and shall be debited to accounts covering discount and premium on capital stock. The cost of road and equipment as stated in the property investment accounts shall be their actual net cost in cash.

CASE 79.

Query. A carrier realized a profit of \$2,000 in one month upon coal which it furnished, under a temporary arrangement, to another carrier. If this profit is credited as provided in Case 25, it will unduly distort its operating expenses. In what account shall the profit be included?

Answer. Case 25 has reference to small profits arising from work done or supplies furnished under conditions which make it difficult to separate costs and profits.

In the case mentioned, the profit arising shall be credited to revenue account No. 143, "Miscellaneous." In arriving at the profit, proper allowance shall be made to cover transportation charges. (*See Cases 25 and 61.*)

CASE 80.

Query. A road sells notes because the money market does not warrant the sale of bonds, which are deposited as collateral for the notes. Is it permissible to spread the discount on the notes over the life of the bonds, treating the sale and retirement of both notes and bonds as one transaction?

Answer. The sale and retirement of the notes shall be separately accounted for, and the discount suffered shall be treated as provided in account No. 547, "Interest on unfunded debt," if the notes are for a term not exceeding one year. If for a longer term, the discount shall be included in account No. 725, "Discount on funded debt" and extinguished during the life of the notes.

CASE 81.

Query. To what account shall be charged a contribution to cover the deficit of a "Chautauqua"? This contribution was guaranteed for the purpose of securing traffic.

Answer. The amount shall be charged to account No. 353, "Advertising."

CASE 82.

Query. A bridge company owns, maintains, operates, and pays the taxes upon a bridge over which a single railroad, in consideration of a fixed annual rent, enjoys the right to operate its trains. In what accounts shall this rent be included?

Answer. The bridge company shall credit the rent to income account No. 509, "Income from lease of road"; shall charge the cost of maintaining and operating the bridge to the same account; and shall charge the taxes to account No. 532, "Railway tax accruals."

The railroad shall charge the proportion of the rent representing the expenses of maintenance and operation to the appropriate operating expense primary accounts, and the remainder to income account No. 542, "Rent for leased roads." As this is the only railroad operating trains over the bridge, it is not a joint facility.

CASE 83.

Query. County scrip, which will be accepted at face value in payment of taxes, is purchased at a discount. How shall it be carried in the balance sheet, and in what accounts shall the profit be included when the scrip is used?

Answer. The scrip shall be carried at cost. When it is used in the payment of taxes the profit shall be credited to profit and loss account No. 607, "Miscellaneous credits."

CASE 84.

Query. At certain points on the border freight-train cars are held by the custom-house authorities a considerable length of time. Is the per diem accrued during the detention of the cars chargeable to equipment rent account or to transportation expense account No. 411, "Other expenses"?

Answer. The per diem charges assessed in accordance with the per diem rules of the carrier shall be charged to income account "Hire of freight cars."

CASE 85.

Query. To what account shall be charged the expense of cleaning the exterior of sleeping and dining cars?

Answer. The cost of exterior cleaning of such cars shall be charged to expense account No. 402, "Train supplies and expenses."

CASE 86.

Query. Through error a duplicate refund was made of an overcharge, and the amount was determined to be irrecoverable. To what account shall be charged the duplicate refund?

Answer. The amount of the duplicate refund, when discovered, shall be credited to the account previously charged, and when found to be irrecoverable shall be charged to account No. 533, "Uncollectible railway revenues." This case shall not be construed to relieve the carrier from its responsibility for collecting and retaining the lawfully established charges.

CASE 87.

Query. To what account shall be credited amounts received from anonymous sources which are ordinarily designated as "Conscience money"?

Answer. Unless the remittances indicate that the payments are assignable to the revenue, expense, or income accounts, such payments shall be credited to account No. 607, "Miscellaneous credits."

CASE 88.

Query. To what account shall be charged witness fees in a suit for damages growing out of the false arrest of a person suspected of setting fire to a shop building of a carrier; also, to what account shall be charged the judgment, if any, secured in such a suit?

Answer. Both fees and judgment shall be charged to expense account No. 277, "Other expenses."

CASE 89.

Query. Recently a carrier's shops and some equipment were burned. After deducting insurance there remains a loss on both shops and equipment. Is it proper to charge the loss on the building to Profit and Loss?

Answer. The cost of the shops shall be credited to the appropriate road and equipment accounts. If it is intended to replace the burned property, its cost, less insurance and depreciation accrued, if any, and salvage recovered, shall be charged to the appropriate operating expense accounts. If the shops are not to be rebuilt, the cost, less insurance and depreciation accrued, if any, and salvage recovered, shall be charged to profit and loss account No. 619, "Loss on retired road and equipment." The loss on equipment shall be handled in accordance with the provisions in the text of road and equipment general account II, Equipment.

CASE 90.

Query. To what account shall be charged penalties paid to public authorities for violation of the 28-hour stock law?

Answer. They shall be charged to profit and loss account No. 621, "Miscellaneous debits." (See Cases 37 and 38.)

CASE 91.

Query. A carrier frequently pays charges for cleaning its ice houses. Shall the expense be charged to "Train supplies and expenses," or shall it be divided between that account and "Station employees"?

Answer. The cost of cleaning ice houses is considered a part of the cost of storing. It shall be added to the cost of the ice and, with the latter, apportioned to the accounts to which the ice is charged.

CASE 92.

Query. Railway A rents a portion of its tracks to Railway C at a flat rate per annum, the amount of which is credited to rent, maintenance, and operation. This track is a part of that operated jointly by A and B. Under the contract for the joint operation, B is entitled to its proportion of the amounts received by A from C. What is the proper distribution of the amount paid by A to B as its share of the amounts collected from C?

Answer. The amount paid by C to A shall be divided into two parts; one representing maintenance and operation; the other, rent. The first part shall be credited by A to its appropriate joint facility operating expense accounts and the other to the joint facility rent account under Income. The proportion of these credits which is allowed in settlement with B shall be deducted from B's proportion of the charge for rent, maintenance, and operation of the whole joint facility, and the remainder, which is collected from B, shall be credited by A to its appropriate joint facility operating expense accounts and joint facility rent account under Income.

CASE 93.

Query. There is a connecting line between the tracks of the A company and those of the B company, each company owning the one-half of the track next to its own line. The two companies alternate in performing the interchange switching over this track in periods of six months, rendering bills alternately for proportions of service performed. How shall the payments be charged and credited?

Answer. It is assumed that the bills for the service performed cover the cost of switching service only. The amounts of such charges shall be included in the appropriate operating expense primary accounts other than joint facility accounts. If the charges for hire of equipment are included in these bills, such charges shall be included by both companies in the appropriate equipment rent account in Income.

CASE 94.

Query. A carrier has a joint facility arrangement with another carrier which does not report to the Commission. Shall it handle through its joint facility accounts the amounts received for the use of these facilities?

Answer. It shall. Amounts received from a carrier, whether it reports to the Commission or not, for the joint use of property operated by a carrier reporting to the Commission, shall be divided by the operating carrier into two parts. One, representing the cost of maintenance and operation, shall be credited by the operating carrier to the joint facility expense accounts affected; the other shall be credited to income account No. 508, "Joint facility rent income." In case the facilities used jointly are of minor importance, and the amounts received for the use of them are small, the credits shall be to revenue account No. 142, "Rents of buildings and other property."

CASE 95.

Query. A terminal company has a contract with four railroads which jointly own its capital stock, under which it handles all freight and passenger business over its terminals for these companies. These railroads reimburse the terminal company for all expenses of operation, interest on the bonds, and other fixed charges of the terminal company and, in addition, pay a small percentage on first-mortgage bonds to be used as a sinking fund for retiring the bonds. How shall these various payments be treated in the terminal company's accounts?

Answer. The switching or terminal company shall include the expenses of operation in its primary expense accounts and shall credit the charges pertaining to the joint benefit service to the appropriate joint facility expense accounts. It shall include the interest on bonds, other fixed charges, and contributions to its sinking fund in income account No. 508, "Joint facility rent income."

CASE 96.

Query. A locomotive assigned to yard switching service is taken to the shops a number of miles distant for repairs and is relieved by a locomotive from the shops. To what account shall be charged the expense of running the relief locomotive from the shops to the point where it is to be put in service? How shall the mileage of the locomotives be classified?

Answer. The expenses shall be charged to the proper yard accounts under Transportation—Rail line. The mileage of the locomotives shall be classed as yard switching locomotive-miles.

CASE 97.

Query. A and B are 10 miles apart, and the freight destined to B passes through A. The freight trains are divided in the yard at A, and through freight destined to B is taken to B by a transfer crew. The line between A and B is a part of the carrier's main line. Shall the service of the transfer crew between these points be considered train service or yard service?

Answer. It shall be considered train service and the expenses and the statistics of train-miles, locomotive-miles, car-miles, etc., shall be treated accordingly. (See Case 7.)

CASE 98.

Query. To what account shall a carrier charge commissions paid to brokers for the purchase of the securities of other companies?

Answer. The amount of such commissions shall be considered as a part of the cost of the securities purchased.

CASE 99.

Query. A carrier obtains a franchise which permits it to operate with steam motive power within the limits of a city for a period of 20 years. To what account shall the cost of this franchise be charged?

Answer. The cost shall be included in a convenient suspense account under balance-sheet account No. 727, "Other unadjusted debits," and amortized during the life of the franchise through equal annual charges to income account No. 551, "Miscellaneous income charges."

CASE 100.

Query. In the construction of undergrade and overhead highway crossings a carrier purchases sufficient land for slopes outside of its right of way instead of building retaining walls. To what account shall the cost of this land be charged?

Answer. It shall be charged to road and equipment account No. 2, "Land for transportation purposes." (See Case 186.)

CASE 101.

Query. In connection with the construction of an extension to its line a carrier relocates a short section of an electric road's tracks for the purpose of avoiding grade crossings. To what account shall the cost of the work be charged?

Answer. It shall be charged to road and equipment account No. 2, "Land for transportation purposes."

CASE 102.

Query. A carrier sells to another carrier an undivided third interest in a part of its line. How shall the proceeds of the sale be credited?

Answer. One-third of the ledger cost of the line shall be credited to the primary road and equipment accounts to which the property had previously been charged. The difference between the total amount thus credited and the amount received for the proportion sold shall be included in Profit and Loss.

CASE 103.

Query. A carrier company sells a part of its line. To what account shall be credited a lump sum received for the property?

Answer. The primary road and equipment accounts shall be credited with amounts equal to the net amounts previously charged thereto with respect to the property sold. The difference between the total amount thus credited and the amount received shall be included in Profit and Loss.

CASE 104.

Query. Real estate purchased in the names of individuals is used by a carrier as right of way and for other operating purposes. How shall its cost be accounted for?

Answer. Under the assumption that the individuals in whose names the property has been purchased are in fact the agents of the carrier, the cost of the real estate shall be included in the carrier's property investment accounts.

CASE 105.

Query. On account of its line crossing a stream at a point on a section line a railroad purchases land for the purpose of constructing a county road at one side of the section line at this point, thus permitting separate bridges to be built for use of the railroad and the highway. The title of the land purchased is conveyed to the county, while the county surrenders its title to that portion of the land upon which the railway is constructed and which was originally occupied by the highway. To what account shall the cost of the land be charged?

Answer. It shall be charged to road and equipment account No. 2, "Land for transportation purposes."

CASE 106.

Query. To what account shall be credited amounts collected from contractors as penalties for failure to complete the construction of a portion of a line at a specified time?

Answer. Such forfeiture shall be considered as an abatement in the cost of the work covered in the contract and shall be credited to the account to which the cost of the work is charged.

CASE 107.

Query. To what account shall the cost of the equipment of cabooses with telephones be charged; also the cost of repairs of these instruments? They are for use in case of accident or trouble upon the line.

Answer. The cost of the installation as an initial equipment shall be charged to road and equipment account No. 26, "Telegraph and telephone lines," and the cost of maintenance to expense account No. 247, "Telegraph and telephone lines."

CASE 108.

Query. In the construction of new freight cars some second-hand material is used. At what prices shall this material be included in the cost of the new equipment?

Answer. The prices of the second-hand material shall be determined by deducting fair allowances for depreciation from the current prices of the material as new.

CASE 109.

Query. Under the provisions of the forfeiture clause in a lease a carrier secured title to a building which had been erected by the lessee upon the carrier's property at a cost of \$3,000. At the time of the foreclosure the lessee owed \$300 for rent. Shall the charges to the carrier's property account to cover the building be based upon the original cost or upon the amount of the rent due?

Answer. The charge to the property account shall be based upon the actual cost of the property to the carrier.

CASE 110.

Query. A wrecking crane, which was being used in removing old piles in connection with the repairs and additions and betterments to a wharf, fell through the wharf. The engineer of the crane was injured. To what account shall be charged the payments on account of these injuries?

Answer. The accident having occurred in connection with the removal of the old structure as a preliminary to the construction of improved wharf facilities, the payments shall be charged to expense account No. 274, "Injuries to persons."

CASE 111.

Query. In connection with the application of an improved device to equipment, to what account shall be charged the cost of removing the old and of applying the new device?

Answer. The cost of removing the old and of applying the new device shall be charged to the appropriate repair account.

CASE 112.

Query. To what account shall be charged the cost of a motor applied to a locomotive turntable?

Answer. The cost shall be charged to road and equipment account No. 20, "Shops and enginehouses." The cost of the motor removed, if any, shall be credited to the same account.

CASE 113.

Query. In the division of through passenger rates between Road A and Road B, Road B was allowed an arbitrary per passenger for ferry service at its terminal. Subsequently the ferry service was extended and improved, and Road B was then allowed, in addition to the arbitrary, a stated amount per year, irrespective of the number of passengers. To what accounts shall the additional payments be debited and credited by A and B, respectively?

Answer. They shall be debited and credited to the accounts to which the payments based upon the arbitrary per passenger are debited and credited.

CASE 114.

Query. A terminal railway company has no station agents, its station service being performed by the superintendent of transportation and his clerks. To what account shall the pay of these employees while thus engaged be charged?

Answer. To expense account No. 373, "Station employees."

CASE 115.

Query. At a joint terminal the lading of cars is transferred on account of the cars being in bad order. The cost of the work is charged against the road responsible for the condition of the cars. In what account shall be included the amount of such charges?

Answer. It shall be charged to expense account No. 373, "Station employees." Under the conditions stated this is not a joint facility expense.

CASE 116.

Query. A railroad which does not permit its own equipment to leave its rails receives freight cars from one connection on a per diem basis and from another upon a demurrage basis. Shall the amounts paid as demurrage be charged as hire of equipment?

Answer. They shall be so charged.

CASE 117.

Query. The fuel used by a carrier is transported upon the basis of through rates from mines located upon a foreign line. To what account shall be credited the carrier's proportion of the through rate on this material?

Answer. If the freight charges on the fuel upon the basis of through rate are charged to the carrier's fuel account, the carrier's proportion of the freight charges shall be credited to the same account.

CASE 118.

Query. A large part of the freight-car equipment used by a carrier in its operations is held under a lease from the industrial owner. To what account shall be charged amounts paid to the owner of the equipment? These payments represent rent and depreciation.

Answer. The rent shall be charged to income account, "Hire of freight cars," and the depreciation charged to expense account No. 315, "Freight-train cars—Depreciation."

CASE 119.

Query. A dining-car waiter left his car when a stop was made on account of a crossing accident. In attempting to reenter the train he fell and was injured. Shall the expenses on account of such injuries be included in the accounts for rail operations, or in those for miscellaneous operations?

Answer. They shall be charged to rail operating expense account No. 420, "Injuries to persons." (See Case 19.)

CASE 120.

Query. To what account shall be charged a carrier's expenses on account of associations of transportation and car accounting officers?

Answer. They shall be charged to the accounts which are charged with the salaries of the officers who represent the carrier as members of the associations.

CASE 121.

Query. To what account shall be charged the cost of running a special train for the purpose of promoting industries along a carrier's lines?

Answer. It shall be charged to expense account No. 356, "Industrial and immigration bureaus."

CASE 122.

Query. Is it permissible to charge to expense account No. 372, "Dispatching trains," a portion of the salaries of telegraph operators who are located in towers and who incidentally receive and deliver train orders?

Answer. It is not. No charges shall be made to this account for incidental services in receiving and delivering train orders.

CASE 123.

Query. Is it proper to credit income account "Hire of freight cars," and to charge Operating Expenses upon a per diem basis for the rent of cars used in transporting company fuel used for operating purposes?

Answer. No charges shall be made to Operating Expenses for the rent of cars used in transporting company fuel.

CASE 124.

Query. The fuel used by a carrier in its operations is delivered to its line by schooner. At the point of delivery it is unloaded into bins. From these bins it is loaded and transferred to other bins along the line and as needed is removed to coal chutes. Is the cost of the coal delivered to the line properly considered the cost of the fuel, or shall the cost of handling and transporting over the carrier's line be included?

Answer. The cost of the fuel shall include its cost delivered to the carrier plus the handling (loading and unloading) expenses up to and including delivery at the chutes. No charges for transportation over the carrier's own line shall be included.

CASE 125.

Query. To what account shall be charged the expenses connected with gathering and replacing on the tracks freight equipment wrecked by an extensive flood caused by the bursting of an industrial company's dam?

Answer. They shall be charged to expense account No. 415, "Clearing wrecks."

CASE 126.

Query. To what account shall be charged the expenses of the cold storage of freight which can not be delivered at the time it is unloaded?

Answer. The carrier's expenses on account of such storage shall be charged to expense account No. 376, "Station supplies and expenses."

CASE 127.

Query. An agent received a summons garnishing the wages of an employee. On account of delay incident to notifying the legal department the employee succeeded in drawing his pay. The carrier was obliged to make good the amount of the claim. To what account shall the loss be charged?

Answer. The loss shall be charged to expense account No. 460, "Other expenses."

CASE 128.

Query. To what account shall be charged the cost of foundry patterns?

Answer. It shall be charged to the accounts to which is chargeable the cost of the castings manufactured from the patterns.

CASE 129.

Query. A storehouse containing maintenance-of-equipment material is destroyed by fire. To what account shall be charged the loss of the material?

Answer. If the net loss is relatively small, it shall be distributed to the accounts to which the material would have been charged had the fire not occurred. If the loss is so large that its inclusion in the maintenance-of-equipment accounts would impair the significance of the statistics prepared from such accounts, the loss shall be included in account No. 621, "Miscellaneous debits."

CASE 130.

Query. A carrier pays the salaries of the employees and all other expenses of a joint outside ticket agency, and charges each tenant company for a proportion of these expenses, based upon the ticket sales. In what accounts shall these charges be included?

Answer. Carriers have the option, according to their convenience in accounting, of crediting the proportions of the expenses of joint traffic offices charged to other carriers directly to their pay roll and voucher accounts, or of including all charges on account of service in the primary operating expense accounts and crediting foreign lines' proportions to the same accounts. Joint traffic expenses are usually readily assignable to the primary accounts, and joint facility traffic accounts are therefore deemed to be unnecessary.

CASE 131.

Query. To what account shall be charged the cost of twist drills, taps, dies, etc., used in general machine work, when for the replacement of worn-out tools?

Answer. If such articles are for use as appurtenances of power machine tools, their cost shall be charged to expense account No. 302, "Shop machinery." If they are for use as hand tool equipment, they shall be charged to clearing account "Shop expenses."

CASE 132.

Query. The equipment used for the operation of a joint terminal is damaged, one of the carriers using the terminal being responsible for the repairs as the damage occurred through the fault of its employees. How shall the terminal company, which makes the repairs, clear the cost of the work in its accounts?

Answer. The cost shall be credited directly to the payroll and material accounts, or cleared through the appropriate primary accounts for repairs of equipment. This is not a joint facility item. (See Cases 42 and 66.)

CASE 133.

Query. To what account shall be charged the cost of oil used in lubricating air-brake cylinders on cars?

Answer. It shall be charged to expense account No. 402, "Train supplies and expenses."

CASE 134.

Query. To what account shall be charged the cost of preparing and recording an agreement with another carrier covering trackage rights?

Answer. Specific fees paid to attorneys for such services shall be charged to expense account No. 454, "Law expenses." It is not intended that charges shall be made to this account for the incidental services of officers whose pay is regularly chargeable to other accounts.

CASE 135.

Query. Locomotives are leased to a lumber company, the lessor furnishing fuel and other supplies for the locomotives and the lessee paying a lump sum for the supplies and for use of the equipment. To what account shall be credited the amounts received?

Answer. They shall be equitably apportioned between account No. 504, "Rent from locomotives," and the accounts originally charged with the cost of the supplies. (See section 2 of the general instructions for the Classification of Income, Profit and Loss, and General Balance Sheet Accounts.)

CASE 136.

Query. When land is rented in connection with addition and betterment projects, pending an actual purchase of the property, is the amount of such rent properly chargeable to the cost of additions and betterments? To what account shall be credited rents received from subtenants of such property?

Answer. Provided the primary object in the renting of property is to facilitate the addition and betterment work and the property is actually purchased for addition and betterment purposes, the rents paid shall be included in the road and equipment accounts, and the rents received credited to the same accounts.

CASE 137.

Query. The coupons on certain equipment-trust obligations contain a stipulation that if not paid on date of maturity the coupons shall bear interest from that date. To what account shall the interest on the coupons be charged?

Answer. It shall be charged to income account No. 547, "Interest on unfunded debt."

CASE 138.

Query. The expenses of a State railway commission are borne by the railways, the apportionment among them being based partly on net earnings and partly on mileage. To what accounts shall be charged a carrier's proportion of such expenses?

Answer. It shall be charged to income account No. 532, "Railway tax accruals."

CASE 139.

Query. A company acquires the exclusive use of tracks for a term of 10 years, paying a fixed rate per car and in addition advancing funds to the lessor for the construction of spur tracks, which are the property of the lessor. It is provided that in case of the termination of the lease before the completion of the full term, the lessor will refund to the lessee the amount advanced, less 10 per cent per annum from the date of the lease. What is the proper accounting for the advances for construction?

Answer. The lessee shall carry the advances in account No. 706, "Investments in affiliated companies," or in account No. 722, "Other deferred assets," as may be appropriate, charging one-tenth of the sum to Income each year as rents paid for lease of track. The lessor shall correspondingly credit the advances to account No. 757, "Nonnegotiable debt to affiliated companies," or to account No. 770, "Other deferred liabilities," as may be appropriate, crediting one-tenth of the sum to Income each year as rents received.

CASE 140.

Query. In what account shall be included a carrier's investment in tableware and tables, silverware, linen, and kitchen utensils in dining cars?

Answer. In account No. 54, "Passenger-train cars." (See Case 164.)

CASE 141.

Query. What is the correct accounting for the cost of adding, calculating, and typewriting machines purchased by a road during its construction period?

Answer. The cost when purchased shall be charged to account No. 74, "Stationery and printing," and if the machines are retained for use during the operating period the residual value of the property shall be credited to this account and charged to the property accounts to which is chargeable the cost of the buildings of the class in which the machines are used.

CASE 142.

Query. To what account shall be charged a carrier's investment in an experimental farm which is conducted for the purpose of increasing traffic?

Answer. The cost of lands shall be charged to account No. 2, "Land for transportation purposes," and cost of buildings to account No. 35, "Miscellaneous structures."

CASE 143.

Query. A carrier includes in the price of material sold by it the tariff charges for transportation over its line. To what account shall these charges be credited?

Answer. To account No. 101, "Freight."

CASE 144.

Query. To what account shall be credited the revenue derived from the transportation of packages, articles, etc., other than milk, on passenger trains?

Answer. If the rates charged for the transportation service are applicable only when the property is transported incident to transportation of passengers and the weight of the property is included in the determination of excess weight of baggage over free allowance, the credit shall be to account No. 103, "Excess baggage." Otherwise the revenue shall be credited to account No. 101, "Freight," if based upon freight tariffs, and to account No. 108, "Other passenger-train," when on other bases.

CASE 145.

Query. In what account shall be included the pay and traveling, office, and other expenses of officers, claim adjusters, clerks, and attendants who constitute the organizations for the handling of claim matters, including personal injury, loss and damage, overcharge, live stock, and damage to property claims?

Answer. These expenses shall be charged to accounts Nos. 451, 452, 453, or 458, as may be appropriate.

CASE 146.

Query. A carrier operates regularly over its line a train for the transportation of passengers. It receives for the transportation of through passengers a rate per train-mile from connecting lines. It concurs in the tariffs under which through passengers are transported, but does not share in the prorate of the revenue therefrom. What is the proper accounting for the amount thus received from the connecting lines?

Answer. The carrier shall include the statistics for such transportation in its own accounts, and shall credit the amount received to revenue account No. 102, "Passenger." The connecting lines shall correspondingly charge their respective proportions of the payments to the same account.

CASE 147.

Query. To what account shall be credited the revenue derived from the weighing of cars at tariff rates? The service performed is principally switching service. The expense of recording the weights of the cars is relatively small.

Answer. To account No. 143, "Miscellaneous."

CASE 148.

Query. When lighterage service is provided for under the tariff rate under which freight moves over the carrier's rail line, shall any revenue from the lighterage be credited to the water-transfer revenue accounts?

Answer. No. The revenue accounts for water transfers are intended to include merely revenue upon the basis of tariff rates covering only water-transfer service.

CASE 149.

Query. A carrier leases a part of the railroad which it operates. To what account shall be credited the rent received for the exclusive use of a dwelling house located upon the right of way of the leased line?

Answer. To account No. 510, "Miscellaneous rent income."

CASE 150.

Query. A carrier rents a part of its terminal station for use as a warehouse and furnishes electrical power for use of the tenant. To what account should be credited the compensation received?

Answer. If the compensation received is not based on distinct charges for rent of the facility and for the power furnished, and the quantity of power furnished is relatively small, the credit shall be to account No. 142, "Rents of buildings and other property." Only the proportion assignable as rent otherwise shall be credited in this account and the remainder shall be credited to account No. 141, "Power."

CASE 151.

Query. A carrier operates restaurant, billiard and pool, bathing, and barber service for the benefit of its employees. In what accounts shall the revenues and the expenses of the service be included?

Answer. The revenues shall be included in account No. 132, "Hotel and restaurant," and the expenses in account No. 442, "Hotels and restaurants."

CASE 152.

Query. To what account shall be credited the revenue derived under specific tariff rates for heating cars containing vegetable shipments?

Answer. To account No. 143, "Miscellaneous."

CASE 153.

Query. In what accounts shall be included the revenues and expenses of stock pens at stations, maintained for the feeding, watering, and resting of stock in transit, as required by law?

Answer. The revenue shall be credited to account No. 143, "Miscellaneous"; the expenses of maintenance shall be charged to account No. 227, "Station and office buildings"; and the expenses of operation shall be charged as may be appropriate to account No. 373, "Station employees," or to account No. 376, "Station supplies and expenses."

CASE 154.

Query. To what account shall be credited the revenue, derived under specific tariff rates, from transferring freight from narrow to standard gauge cars?

Answer. To account No. 143, "Miscellaneous."

CASE 155.

Query. What is the correct accounting for the revenues and expenses of coal wharves used for transferring coal from cars to boats, the revenue being derived from operations such as lifting coal from vessels, placing coal in cars, placing coal on wharves for storage and later loading into cars, and from charges for storage on wharves? This revenue is based upon specific charges. The service is not provided for in the tariff rates for the transportation of coal.

Answer. The revenue derived from storage shall be included in account No. 135, "Storage—Freight," and the remainder shall be included in account No. 143, "Miscellaneous." The cost of maintaining the wharves shall be included in account No. 243, "Coal and ore wharves," and the expense of operating them shall be included in account No. 375, "Coal and ore wharves."

CASE 156.

Query. A steam railroad company operates a street car line. What is the correct accounting for the revenues and expenses of the service?

Answer. The revenues from transportation service shall be included in the appropriate primary accounts under general account I, Transportation—Rail Line; the incidental revenue in the primary accounts under general account III, Incidental.

The expenses of operation shall be included in the appropriate primary accounts under general accounts I, Maintenance of Way and Structures; II, Maintenance of Equipment; III, Traffic; IV, Transportation—Rail Line; and VII, General.

If the carrier desires to determine the revenues and expenses of the specific operation, subprimary accounts may be set up in accordance with the order promulgating the Classification of Operating Revenues and Operating Expenses.

CASE 157.

Query. To what account shall be charged the cost of repainting switch stands and repairing bumping posts?

Answer. To account No. 216, "Other track material."

CASE 158.

Query. Road A maintains and operates a water station. Water is supplied from this station to A's train locomotives and to the train locomotives of Road B. B operates jointly with A a portion of A's tracks, and reimburses A upon a train-mile basis for a portion of the cost of maintaining and operating the water station. What is the correct accounting for the expenses of maintaining and operating this station?

Answer. A shall charge the entire cost of maintenance to account No. 231, "Water stations." The portion of the maintenance expenses borne by B shall be included in the accounts for maintaining joint tracks, yards, and other facilities. Each road shall charge its proportion of the expenses of operating the station to account No. 397, "Water for train locomotives." A has the option of including the total expense of operation in a clearing account or of clearing B's proportion of the expenses of operation through account No. 397, "Water for train locomotives."

CASE 159.

Query. To what account shall be charged expenses on account of personal injuries which a storehouse employee suffered while engaged in unloading a carload of lumber?

Answer. In case the lumber which was being unloaded was for maintenance of way and structures, the expense shall be charged to account No. 274, "Injuries to persons"; if for maintenance of equipment, the charge shall be to account No. 332, "Injuries to persons"; if for temporary grain doors, dunnage boards, sugar strips, etc., charge to account No. 420, "Injuries to persons."

CASE 160.

Query. To what account shall be charged insurance premiums and taxes on storehouse material stock?

Answer. Premiums for insuring maintenance-of-way material stock shall be included in account No. 275, "Insurance," and those for maintenance-of-equipment material stock to account No. 333, "Insurance." In case the premiums are for insuring general store material stock which is designed both for maintenance of way and structures and for maintenance of equipment the premium shall be equitably apportioned between the above-mentioned accounts. Taxes upon store material stock shall be included in account No. 532, "Railway tax accruals."

CASE 161.

Query. To what accounts shall be credited amounts received by a carrier for cleaning and oiling the passenger cars of a tenant company?

Answer. To the accounts to which were originally charged the cost of the labor expended and the material consumed in the work. (*See Case 53.*)

CASE 162.

Query. The amount received by a carrier in settlement under Master Car Builders' Association rules for one of its cars which was destroyed upon a foreign line was in excess of the original cost of the car. To what account shall the profit be credited?

Answer. To the appropriate equipment retirement account.

CASE 163.

Query. To what account shall be charged the wages of timekeepers who keep the time of shop employees and make up shop pay rolls and miscellaneous statements in connection therewith?

Answer. To account No. 301, "Superintendence."

CASE 164.

Query. To what account shall be charged the cost of repairs and renewals of tableware, silverware, linen, and kitchen utensils in dining cars?

Answer. To account No. 317, "Passenger-train cars—Repairs." (*See Case 140.*)

CASE 165.

Query. When ice, water, fuel, and lubricating material are supplied to sleeping cars which operate over a carrier's line and the cost of the material is borne by the carrier, to what account shall be charged the expense?

Answer. To account No. 402, "Train supplies and expenses."

CASE 166.

Query. To what account shall be charged a station agent's shortage in excess of the surety bond?

Answer. To account No. 411, "Other expenses."

CASE 167.

Query. It is provided in account No. 388, "Enginehouse expenses—Yard," that in this account shall be included the expense of calling yard enginemen. Shall the expense of calling train enginemen be included in account No. 400, "Enginehouse expenses—Train"?

Answer. It shall be so included.

CASE 168.

Query. In what account shall be included the cost of renewing equipment such as tableware, table linen, kitchen utensils, and bedding, and cost of repairing furniture in hotels and restaurants the revenue from which is includible in account No. 132, "Hotel and restaurant"?

Answer. Such expenses shall be considered, as heretofore, running expenses, and shall be charged to account No. 442, "Hotels and restaurants."

CASE 169.

Query. To what accounts shall be charged plaintiff's court costs and also the carrier's own court costs in connection with personal injury cases, when such expenses are borne by the carrier?

Answer. The plaintiff's court costs shall be charged to the appropriate accounts for injuries to persons. The carrier's court costs shall be charged to account No. 454, "Law expenses."

CASE 170.

Query. To what account shall be charged fees to physicians for the physical examination of (a) employees, and (b) applicants for employment?

Answer. (a) To the account to which the pay of the employee is chargeable, except when otherwise provided; (b) to the account to which the pay of the applicant would be chargeable if employed, except when otherwise provided.

CASE 171.

Query. When such costs are borne by the carriers, to what account shall be charged the cost of internal-revenue stamps required under the act entitled "An act to increase the internal revenue and for other purposes," approved on October 22, 1914?

Answer. The cost of such stamps for use in connection with operation shall be considered as taxes. When required in connection with construction projects, the cost shall be appropriately included in the road and equipment accounts. If in connection with the issuance of evidences of debt, it shall be accounted for as debt expense.

CASE 172.

Query. When equipment-trust certificates which mature serially are sold in one lot at a flat discount rate upon their entire par value, how shall the discount be amortized?

Answer. The discount and expense shall be amortized through charges to Income, in such manner that the ratio between the amortization charges and the principal of the equipment-trust certificates outstanding will be uniform for all fiscal periods.

For example: A company issues five equipment-trust certificates, one certificate maturing each year. The debt discount and expense is \$450. The distribution of the discount and expense should be as follows:

First year, principal outstanding \$5,000...	amortization charge (rate 3 per cent)	\$150
Second year, principal outstanding \$4,000...	amortization charge (rate 3 per cent)	120
Third year, principal outstanding \$3,000...	amortization charge (rate 3 per cent)	90
Fourth year, principal outstanding \$2,000...	amortization charge (rate 3 per cent)	60
Fifth year, principal outstanding \$1,000...	amortization charge (rate 3 per cent)	30

CASE 173.

Query. To what account shall be charged special assessments for construction and maintenance of sewers adjacent to property the cost of which is includible in balance-sheet account No. 705, "Miscellaneous physical property"?

Answer. Assessments for the construction of such sewers shall be included in account No. 705, "Miscellaneous physical property," and those for maintenance in account No. 534, "Expenses of miscellaneous operations," provided the property is operated by the carrier; otherwise to account No. 511, "Miscellaneous nonoperating physical property."

CASE 174.

Query. A carrier borrowed equipment from a foreign line. To what account shall it charge amounts which it pays the foreign line for transporting the equipment to its line?

Answer. To the appropriate income account "Rent for equipment." (See Case 73.)

CASE 175.

Query. To what account shall be charged the rent paid for work equipment used by a carrier in maintenance of way and structures?

Answer. To account No. 540, "Rent for work equipment." Rents paid or received for work or other equipment used in operation are income items. (See section 2 of the general instructions for the Classification of Income, Profit and Loss, and General Balance Sheet Accounts.)

CASE 176.

Query. Under the condition that the expenses of maintaining equipment are borne jointly by all users of a joint terminal, how shall a carrier account for amounts received in reimbursement of taxes upon equipment used in the operation of the terminal?

Answer. When the taxes are inseparable from other taxes the amount received in reimbursement thereof shall be credited by the operating company to the appropriate account for rent from equipment. In case they are separable, the credit shall be to account No. 508, "Joint facility rent income." Correspondingly the debtor company shall charge these amounts to the appropriate account for rent for equipment or to account No. 541, "Joint facility rents," as may be appropriate.

CASE 177.

Query. When a carrier's funds are expended for construction purposes and interest charges are made to Road and Equipment under the provisions of account No. 76, "Interest during construction," to what accounts shall such interest be credited?

Answer. To account No. 515, "Income from unfunded securities and accounts."

CASE 178.

Query. A carrier's fiscal year ends on December 31. In the early part of the calendar year the carrier issues short-term notes at a discount. How shall such discount be accounted for?

Answer. The carrier's accounts shall be kept in such manner that in its annual report to the Commission the discount assignable to the period before July 1 shall be charged to income account No. 547, "Interest on unfunded debt." The amount thus assignable may be, at the carrier's option, either the entire discount or an amount proportionate to the life of the notes up to July 1.

CASE 179.

Query. To what account shall be charged interest paid on deferred taxes?

Answer. To account No. 547, "Interest on unfunded debt."

CASE 180.

Query. The capital stock of a terminal company is owned in equal proportions by the tenant companies which jointly use the terminal. The net income of the terminal company each year is distributed equally between the tenant lines. What is the correct accounting for the amounts thus distributed?

Answer. Under the conditions stated the division of this income is in substance the issue of a dividend upon stocks owned by the proprietary companies, and shall be charged by the terminal company to account No. 553, "Dividend appropriations of income."

CASE 181.

Query. Under the terms of a contract for purchase of equipment the carrier is required to deposit with the trustees all amounts collected from insurance companies on trust equipment destroyed by fire, such amounts to be held by them until the property is replaced. In what account shall these deposits be carried?

Answer. The character of the deposits indicates the propriety of their inclusion in the group of balance-sheet accounts designated as "Investments." Such deposits shall therefore be charged to account No. 704, "Deposits in lieu of mortgaged property sold."

CASE 182.

Query. Are the provisions of account No. 726, "Property abandoned chargeable to operating expenses," applicable in the accounting for amounts chargeable to Operating Expenses in connection with the retirement of equipment?

Answer. They are not applicable.

CASE 183.

Query. What is the correct accounting for a carrier's investment in a spur track to an industry when the cost of ties in and grading for the tracks is borne by the industry?

Answer. If constructed upon the property of the carrier, the entire cost of the tracks shall be included in the carrier's road and equipment accounts, and the cost of the ties and grading assumed by the industry shall be included in account No. 778, "Other unadjusted credits," or in account No. 606, "Donations," as may be appropriate. Amounts thus credited to account No. 606, "Donations," shall correspondingly be charged to account No. 615, "Surplus appropriated for investment in physical property," and concurrently credited to account No. 779, "Additions to property through income and surplus."

If constructed upon the land of the industry, only the portion of the cost which is borne by the carrier shall be included in its road and equipment accounts. (*See paragraph 11, section 2, in the general instructions for road and equipment accounts.*)

CASE 184.

Query. Under the provisions of paragraph 8, section 1, of the special instructions for the classification of operating revenues, for convenience in accounting is it permissible for a carrier to include revenue overcharges, when discovered, in the agency accounts, and to clear the unrefunded items to account No. 778, "Other unadjusted credits."

Answer. Overcharges may be temporarily carried in the agency accounts, provided they are transferred to account No. 778, "Other unadjusted credits," if unrefunded at the end of 60 days.

CASE 185.

Query. To what account shall be charged the cost of ties used in the construction of pit cattle guards?

Answer. If crossties directly supporting the rails, the charge shall be to account No. 8, "Ties." Otherwise the charge shall be to account No. 13, "Right-of-way fences."

CASE 186.

Query. In connection with the elimination of grade crossings a carrier purchases land immediately outside its right of way to provide slopes in a highway. How shall the cost of this land be accounted for—

- (a) When the carrier retains title to the land, and
- (b) When the carrier relinquishes the title to the land to the municipality?

Answer. The cost shall be charged—

- (a) To account No. 2, "Land for transportation purposes."
- (b) To account No. 15, "Crossings and signs." (*See Case 100.*)

CASE 187.

Query. To prevent another railroad from crossing its tracks at grade a carrier contributes an amount toward the cost of constructing the crossing of the other railroad above the grade of its own tracks. To what account shall be charged the amount of this contribution?

Answer. The amount of the contribution shall be charged by the carrier to account No. 15, "Crossings and signs."

CASE 188.

Query. To what account shall be charged the cost of a gasoline storage plant consisting of a storage tank and pump? The gasoline is for use in motor cars.

Answer. To account No. 20, "Shops and enginehouses."

CASE 189.

Query. To what account shall be charged the cost of a water pipe line constructed from shop water-supply system to passenger-car yards, for conveying water for car cleaning and for filling water tanks in passenger cars?

Answer. To account No. 20, "Shops and enginehouses."

CASE 190.

Query. In what accounts shall be classed a carrier's investment in railway material storehouses?

Answer. If the storehouses are located at shops and are devoted to the storage of material for maintenance of way and structures and for maintenance of equipment, the investment shall be included in account No. 20, "Shops and enginehouses." If not thus located, when devoted to the storage of material for maintenance of way and structures the investment shall be included in account No. 17, "Roadway buildings"; and when devoted to the storage of material and supplies for general purposes the investment shall be included in account No. 35, "Miscellaneous structures." If located at division or line terminal stations and devoted to the storage of station and train supplies the investment shall be included in account No. 16, "Station and office buildings."

CASE 191.

Query. A carrier purchases a number of section motor cars to replace handcars. Handcars are not included in its property investment accounts. To what account shall the motor cars be charged?

Answer. To account No. 37, "Roadway machines."

CASE 192.

Query. To what account shall be charged the cost of a ditching machine which is ordinarily operated while temporarily mounted upon a flat car?

Answer. To account No. 37, "Roadway machines."

CASE 193.

Query. To what account shall be charged the initial equipment of locomotives and cabooses with wrecking frogs when their installation is under a general plan?

Answer. To account No. 51, "Steam locomotives," and No. 53, "Freight-train cars," respectively.

CASE 194.

Query. To what account shall be charged the cost of medical services rendered for an employee injured while engaged in the construction of a new road?

Answer. To the account chargeable with the cost of the work in connection with which the employee was injured.

CASE 195.

Query. To what account shall be charged the cost of a law library installed by an operating carrier?

Answer. To account No. 16, "Station and office buildings."

CASE 196.

Query. To what account shall be charged amounts paid to trust companies for the registration and transfer of capital stock?

Answer. Payments in connection with the issue of capital stock are provided for in account No. 71, "Organization expenses." Payments in connection with the transfer of capital stock shall be included in account No. 460, "Other expenses."

CASE 197.

Query. What should be the accounting, under the provisions of Conference Ruling No. 87, for tariff charges for transportation over the carrier's own line of kitchen utensils, food, and other supplies for hotels and restaurants which serve the general public, the revenue from which is creditable to account No. 132, "Hotel and restaurant."

Answer. The revenue from such charges shall be credited to the revenue account appropriate for the service, and concurrently charged to expense account No. 442, "Hotels and restaurants."

CASE 198.

Query. Road A purchases fuel supply coal f. o. b. mines, which are located on Road B. B charges \$1.10 per ton for transporting the coal to A's line, absorbing a charge of \$2 per car for interchange switching service rendered by A. The mining company prepays B's freight charges and includes them in a specific charge against A. How shall A account for these freight charges?

Answer. A shall include in the cost of the coal the freight charges, less the switching charges absorbed. The switching charges shall be charged to account No. 110, "Switching."

CASE 199.

Query. One of a carrier's terminals is jointly operated for the benefit of its own business and that of a connecting line. Shall the amounts charged the tenant company for rent of locomotives used in the operation of the joint terminal be considered as a joint facility item and included by the lessor in account No. 508, "Joint facility rent income," or shall the item be considered as a hire of equipment item, and included in account No. 504, "Rent from locomotives"?

Answer. It shall be included in account No. 504, "Rent from locomotives."

CASE 200.

Query. How shall be classified the train-miles of a gasoline-electric motor combination freight and passenger car which transports passengers and less-than-carload freight?

Answer. In account No. 803, "Mixed-train miles."

CASE 201.

Query. A carrier owns a piece of real estate, the cost of which is included in account No. 705, "Miscellaneous physical property." The right to remove sand and gravel from this property is leased. To what account shall the carrier credit the compensation received under the lease?

Answer. Such portion of the amount received as represents the depletion in the value of the property due to the removal of the sand and gravel shall be credited to the investment account, and the remainder shall be credited to income account No. 511, "Miscellaneous nonoperating physical property."

CASE 202.

Query. The accounting for small items of overcharges on freight shipments which are found to be unrefundable involves a considerable refinement in accounting. Is it permissible to carry these items in the revenue accounts until refund is actually made?

Answer. Revenue overcharges amounting to one dollar or less on any one shipment may be carried in the freight revenue accounts until refunded.

CASE 203.

Query. Under the effective classification is it intended that the cost of repairs and renewals of switch lamps shall be included in account No. 389, "Yard supplies and expenses"?

Answer. It is the intent of the classification that only the cost of switch lamp supplies, such as oil, wicks, etc., shall be included in this account. The cost of repairs and renewals of switch lamps is provided for in account No. 218, "Other track material."



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CASE 170.

Query. To what account shall be charged fees to physicians for the physical examination of (a) employees, and (b) applicants for employment?

Answer. (a) To the account to which the pay of the employee is chargeable, except when otherwise provided; (b) to the account to which the pay of the applicant would be chargeable if employed, except when otherwise provided.

CASE 171.

Query. When such costs are borne by the carriers, to what account shall be charged the cost of internal-revenue stamps required under the act entitled "An act to increase the internal revenue and for other purposes," approved on October 22, 1914?

Answer. The cost of such stamps for use in connection with operation shall be considered as taxes. When required in connection with construction projects, the cost shall be appropriately included in the road and equipment accounts. If in connection with the issuance of evidences of debt, it shall be accounted for as debt expense.

CASE 172.

Query. When equipment-trust certificates which mature serially are sold in one lot at a flat discount rate upon their entire par value, how shall the discount be amortized?

Answer. The discount and expense shall be amortized through charges to Income, in such manner that the ratio between the amortization charges and the principal of the equipment-trust certificates outstanding will be uniform for all fiscal periods.

For example: A company issues five equipment-trust certificates, one certificate maturing each year. The debt discount and expense is \$450. The distribution of the discount and expense should be as follows:

First year, principal outstanding \$5,000....	amortization charge (rate 3 per cent)	\$150
Second year, principal outstanding \$4,000....	amortization charge (rate 3 per cent)	120
Third year, principal outstanding \$3,000....	amortization charge (rate 3 per cent)	90
Fourth year, principal outstanding \$2,000....	amortization charge (rate 3 per cent)	60
Fifth year, principal outstanding \$1,000....	amortization charge (rate 3 per cent)	30

CASE 173.

Query. To what account shall be charged special assessments for construction and maintenance of sewers adjacent to property the cost of which is includible in balance-sheet account No. 705, "Miscellaneous physical property"?

Answer. Assessments for the construction of such sewers shall be included in account No. 705, "Miscellaneous physical property," and those for maintenance in account No. 534, "Expenses of miscellaneous operations," provided the property is operated by the carrier; otherwise to account No. 511, "Miscellaneous nonoperating physical property."

CASE 174.

Query. A carrier borrowed equipment from a foreign line. To what account shall it charge amounts which it pays the foreign line for transporting the equipment to its line?

Answer. To the appropriate income account "Rent for equipment." (See Case 73.)

CASE 175.

Query. To what account shall be charged the rent paid for work equipment used by a carrier in maintenance of way and structures?

Answer. To account No. 540, "Rent for work equipment." Rents paid or received for work or other equipment used in operation are income items. (See section 2 of the general instructions for the Classification of Income, Profit and Loss, and General Balance Sheet Accounts.)

CASE 176.

Query. Under the condition that the expenses of maintaining equipment are borne jointly by all users of a joint terminal, how shall a carrier account for amounts received in reimbursement of taxes upon equipment used in the operation of the terminal?

Answer. When the taxes are inseparable from other taxes the amount received in reimbursement therefor shall be credited by the operating company to the appropriate account for rent from equipment. In case they are separable, the credit shall be to account No. 508, "Joint facility rent income." Correspondingly the debtor company shall charge these amounts to the appropriate account for rent for equipment or to account No. 541, "Joint facility rents," as may be appropriate.

CASE 177.

Query. When a carrier's funds are expended for construction purposes and interest charges are made to Road and Equipment under the provisions of account No. 76, "Interest during construction," to what accounts shall such interest be credited?

Answer. To account No. 515, "Income from unfunded securities and accounts."

CASE 178.

Query. A carrier's fiscal year ends on December 31. In the early part of the calendar year the carrier issues short-term notes at a discount. How shall such discount be accounted for?

Answer. The carrier's accounts shall be kept in such manner that in its annual report to the Commission the discount assignable to the period before July 1 shall be charged to income account No. 547, "Interest on unfunded debt." The amount thus assignable may be, at the carrier's option, either the entire discount or an amount proportionate to the life of the notes up to July 1.

CASE 179.

Query. To what account shall be charged interest paid on deferred taxes?

Answer. To account No. 547, "Interest on unfunded debt."

CASE 180.

Query. The capital stock of a terminal company is owned in equal proportions by the tenant companies which jointly use the terminal. The net income of the terminal company each year is distributed equally between the tenant lines. What is the correct accounting for the amounts thus distributed?

Answer. Under the conditions stated the division of this income is in substance the issue of a dividend upon stocks owned by the proprietary companies, and shall be charged by the terminal company to account No. 553, "Dividend appropriations of income."

CASE 181.

Query. Under the terms of a contract for purchase of equipment the carrier is required to deposit with the trustees all amounts collected from insurance companies on trust equipment destroyed by fire, such amounts to be held by them until the property is replaced. In what account shall these deposits be carried?

Answer. The character of the deposits indicates the propriety of their inclusion in the group of balance-sheet accounts designated as "Investments." Such deposits shall therefore be charged to account No. 704, "Deposits in lieu of mortgaged property sold."

CASE 182.

Query. Are the provisions of account No. 726, "Property abandoned chargeable to operating expenses," applicable in the accounting for amounts chargeable to Operating Expenses in connection with the retirement of equipment?

Answer. They are not applicable.

CASE 183.

Query. What is the correct accounting for a carrier's investment in a spur track to an industry when the cost of ties in and grading for the tracks is borne by the industry?

Answer. If constructed upon the property of the carrier, the entire cost of the tracks shall be included in the carrier's road and equipment accounts, and the cost of the ties and grading assumed by the industry shall be included in account No. 778, "Other unadjusted credits," or in account No. 606, "Donations," as may be appropriate. Amounts thus credited to account No. 606, "Donations," shall correspondingly be charged to account No. 615, "Surplus appropriated for investment in physical property," and concurrently credited to account No. 779, "Additions to property through income and surplus."

If constructed upon the land of the industry, only the portion of the cost which is borne by the carrier shall be included in its road and equipment accounts. (*See paragraph 11, section 2, in the general instructions for road and equipment accounts.*)

CASE 184.

Query. Under the provisions of paragraph 8, section 1, of the special instructions for the classification of operating revenues, for convenience in accounting is it permissible for a carrier to include revenue overcharges, when discovered, in the agency accounts, and to clear the unrefunded items to account No. 778, "Other unadjusted credits."

Answer. Overcharges may be temporarily carried in the agency accounts, provided they are transferred to account No. 778, "Other unadjusted credits," if unrefunded at the end of 60 days.

CASE 185.

Query. To what account shall be charged the cost of ties used in the construction of pit cattle guards?

Answer. If crossties directly supporting the rails, the charge shall be to account No. 8, "Ties." Otherwise the charge shall be to account No. 13, "Right-of-way fences."

CASE 186.

Query. In connection with the elimination of grade crossings a carrier purchases land immediately outside its right of way to provide slopes in a highway. How shall the cost of this land be accounted for—

- (a) When the carrier retains title to the land, and
- (b) When the carrier relinquishes the title to the land to the municipality?

Answer. The cost shall be charged—

- (a) To account No. 2, "Land for transportation purposes."
- (b) To account No. 15, "Crossings and signs." (*See Case 100.*)

CASE 187.

Query. To prevent another railroad from crossing its tracks at grade a carrier contributes an amount toward the cost of constructing the crossing of the other railroad above the grade of its own tracks. To what account shall be charged the amount of this contribution?

Answer. The amount of the contribution shall be charged by the carrier to account No. 15, "Crossings and signs."

CASE 188.

Query. To what account shall be charged the cost of a gasoline storage plant consisting of a storage tank and pump? The gasoline is for use in motor cars.

Answer. To account No. 20, "Shops and enginehouses."

CASE 189.

Query. To what account shall be charged the cost of a water pipe line constructed from shop water-supply system to passenger-car yards, for conveying water for car cleaning and for filling water tanks in passenger cars?

Answer. To account No. 20, "Shops and enginehouses."

CASE 190.

Query. In what accounts shall be classed a carrier's investment in railway material storehouses?

Answer. If the storehouses are located at shops and are devoted to the storage of material for maintenance of way and structures and for maintenance of equipment, the investment shall be included in account No. 20, "Shops and enginehouses." If not thus located, when devoted to the storage of material for maintenance of way and structures the investment shall be included in account No. 17, "Roadway buildings"; and when devoted to the storage of material and supplies for general purposes the investment shall be included in account No. 35, "Miscellaneous structures." If located at division or line terminal stations and devoted to the storage of station and train supplies the investment shall be included in account No. 16, "Station and office buildings."

CASE 191.

Query. A carrier purchases a number of section motor cars to replace handcars. Handcars are not included in its property investment accounts. To what account shall the motor cars be charged?

Answer. To account No. 37, "Roadway machines."

CASE 192.

Query. To what account shall be charged the cost of a ditching machine which is ordinarily operated while temporarily mounted upon a flat car?

Answer. To account No. 37, "Roadway machines."

CASE 193.

Query. To what account shall be charged the initial equipment of locomotives and cabooses with wrecking frogs when their installation is under a general plan?

Answer. To account No. 51, "Steam locomotives," and No. 53, "Freight-train cars," respectively.

CASE 194.

Query. To what account shall be charged the cost of medical services rendered for an employee injured while engaged in the construction of a new road?

Answer. To the account chargeable with the cost of the work in connection with which the employee was injured.

CASE 195.

Query. To what account shall be charged the cost of a law library installed by an operating carrier?

Answer. To account No. 16, "Station and office buildings."

CASE 196.

Query. To what account shall be charged amounts paid to trust companies for the registration and transfer of capital stock?

Answer. Payments in connection with the issue of capital stock are provided for in account No. 71, "Organization expenses." Payments in connection with the transfer of capital stock shall be included in account No. 460, "Other expenses."

CASE 197.

Query. What should be the accounting, under the provisions of Conference Ruling No. 87, for tariff charges for transportation over the carrier's own line of kitchen utensils, food, and other supplies for hotels and restaurants which serve the general public, the revenue from which is creditable to account No. 132, "Hotel and restaurant."

Answer. The revenue from such charges shall be credited to the revenue account appropriate for the service, and concurrently charged to expense account No. 442, "Hotels and restaurants."

CASE 198.

Query. Road A purchases fuel supply coal f. o. b. mines, which are located on Road B. B charges \$1.10 per ton for transporting the coal to A's line, absorbing a charge of \$2 per car for interchange switching service rendered by A. The mining company prepays B's freight charges and includes them in a specific charge against A. How shall A account for these freight charges?

Answer. A shall include in the cost of the coal the freight charges, less the switching charges absorbed. The switching charges shall be charged to account No. 110, "Switching."

CASE 199.

Query. One of a carrier's terminals is jointly operated for the benefit of its own business and that of a connecting line. Shall the amounts charged the tenant company for rent of locomotives used in the operation of the joint terminal be considered as a joint facility item and included by the lessor in account No. 508, "Joint facility rent income," or shall the item be considered as a hire of equipment item, and included in account No. 504, "Rent from locomotives"?

Answer. It shall be included in account No. 504, "Rent from locomotives."

CASE 200.

Query. How shall be classified the train-miles of a gasoline-electric motor combination freight and passenger car which transports passengers and less-than-carload freight?

Answer. In account No. 803, "Mixed-train miles."

CASE 201.

Query. A carrier owns a piece of real estate, the cost of which is included in account No. 705, "Miscellaneous physical property." The right to remove sand and gravel from this property is leased. To what account shall the carrier credit the compensation received under the lease?

Answer. Such portion of the amount received as represents the depletion in the value of the property due to the removal of the sand and gravel shall be credited to the investment account, and the remainder shall be credited to income account No. 511, "Miscellaneous nonoperating physical property."

CASE 202.

Query. The accounting for small items of overcharges on freight shipments which are found to be unrefundable involves a considerable refinement in accounting. Is it permissible to carry these items in the revenue accounts until refund is actually made?

Answer. Revenue overcharges amounting to one dollar or less on any one shipment may be carried in the freight revenue accounts until refunded.

CASE 203.

Query. Under the effective classification is it intended that the cost of repairs and renewals of switch lamps shall be included in account No. 389, "Yard supplies and expenses"?

Answer. It is the intent of the classification that only the cost of switch lamp supplies, such as oil, wicks, etc., shall be included in this account. The cost of repairs and renewals of switch lamps is provided for in account No. 216, "Other track material."

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Accounting Bulletin No. 11

INTERPRETATIONS
OF
ACCOUNTING CLASSIFICATIONS
EMBODIED IN THE
UNIFORM SYSTEMS OF ACCOUNTS
FOR
TELEPHONE COMPANIES
(CLASSES A, B, AND C)

PRESCRIBED BY THE
INTERSTATE COMMERCE COMMISSION
IN ACCORDANCE WITH SECTION 20 OF THE
ACT TO REGULATE COMMERCE

Effective on July 1, 1916



WASHINGTON
GOVERNMENT PRINTING OFFICE
1916

THE INTERSTATE COMMERCE COMMISSION.

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GEORGE B. MCGINTY, *Secretary.*

ORDER.

At a General Session of the INTERSTATE COMMERCE COMMISSION, held at its office in Washington, D. C., on the 26th day of June, A. D. 1916.

The subject of a Uniform System of Accounts to be prescribed for and kept by telephone companies being under consideration, the following order was entered:

It is ordered, That the interpretations of the accounting classifications for telephone companies, prepared under the direction of this Commission and embodied in printed form to be hereafter known as Accounting Bulletin No. 11, and now before this Commission, be, and the same are hereby, approved; that a copy of said bulletin duly authenticated by the Secretary of the Commission be filed in its archives, and a second copy thereof, in like manner authenticated, in the office of the Division of Carriers' Accounts; and that each of said copies so authenticated and filed shall be deemed an original record thereof.

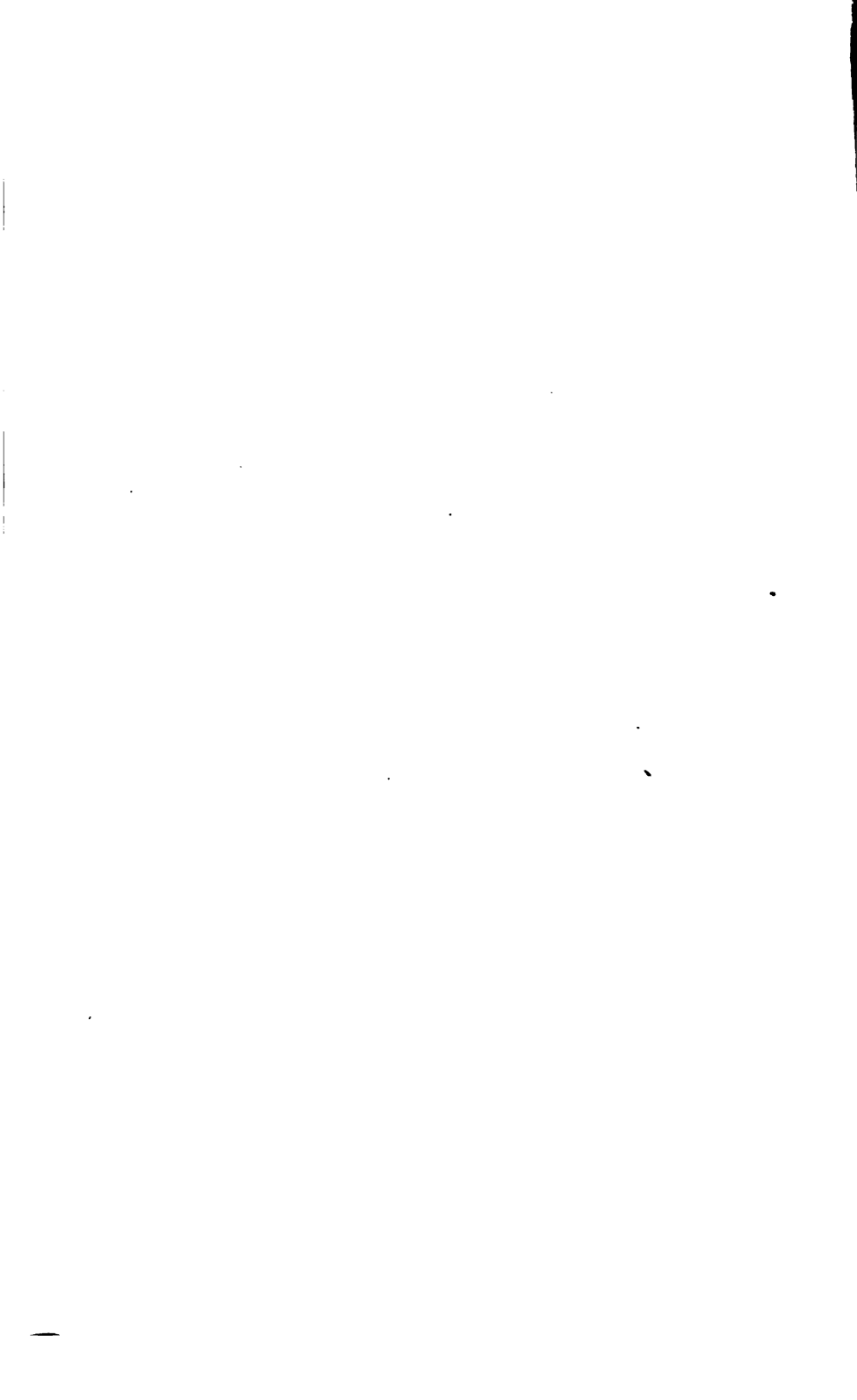
It is further ordered, That the accounting methods directed in the interpretations contained in the said Accounting Bulletin No. 11 be, and they are hereby, prescribed for the use of telephone companies having annual operating revenues exceeding \$10,000, and subject to the provisions of the Act to Regulate Commerce, as amended, in the keeping and recording of their accounts.

It is further ordered, That July 1, 1916, be, and it is hereby, fixed as the date on which the said Accounting Bulletin No. 11 shall become effective, the same to remain in effect until otherwise ordered by the Commission.

By the Commission.

[SEAL.]

GEORGE B. MCGINTY,
Secretary.



INTRODUCTORY LETTER.

INTERSTATE COMMERCE COMMISSION,
DIVISION OF CARRIERS' ACCOUNTS,
Washington, June 26, 1916.

TO TELEPHONE COMPANIES (CLASSES A, B, AND C):

Systems of accounts for telephone companies subject to the jurisdiction of the Interstate Commerce Commission have been issued under the authority contained in section 20 of the Act to regulate commerce. The Uniform System of Accounts for Class A and Class B Telephone Companies became effective January 1, 1913, and a supplement thereto became effective on January 1, 1915. The Uniform System of Accounts for Class C Telephone Companies became effective on January 1, 1915. This accounting bulletin contains answers to accounting questions which have been raised since the issuance of the systems of accounts and is published in order that uniformity may be had in the application of the rules laid down in the systems of accounts. It is supplementary to, and should be used in conjunction with, the systems of accounts prescribed for Class A, Class B, and Class C companies.

In the preparation of this bulletin the Commission has had the cooperation of a joint accounting committee representing practically all of the large telephone companies and a large number of the small companies. This bulletin was submitted in tentative form to the commissions of the several States having supervision of telephone companies and criticisms and suggestions were invited. Those received have been given careful consideration in the completion of the bulletin as now issued.

FRED W. SWENEY,
Chief Examiner of Accounts.

INTERSTATE COMMERCE COMMISSION ACCOUNTING BULLETIN NO. 11.

INTERPRETATIONS OF ACCOUNTING CLASSIFICATIONS EMBODIED IN THE UNIFORM SYSTEMS OF ACCOUNTS FOR TELEPHONE COM- PANIES.

NOTE.—In the answers to cases references are usually made to the Class A and Class C accounts. Where the accounts shown are for Class A companies and the same accounts are not prescribed for Class B companies in the Uniform System of Accounts, Class B companies should interpret the answers as applying to their particular account of which the Class A account is a subdivision. Where no reference is given to specific accounts the case applies to all three classes of companies unless it specifically indicates otherwise.

CASE 1.

Query. Is it required that the titles of the accounts carried on the company's books correspond with the titles of accounts in the Uniform Systems of Accounts?

Answer. The Uniform Systems of Accounts prescribed by the Commission contain the titles and texts of the various accounts and require that companies keep their accounts in conformity therewith. Balance-sheet accounts which are clearly summaries of other accounts are not required to be set up on the books of the company (see sec. 3, p. 13, of the Uniform System of Accounts for Class A and B companies). All accounts kept on the company's books shall conform in titles to those prescribed by the Commission except as follows:

(1) Subaccounts as provided in section 1, page 9, of the Uniform Systems of Accounts and such subdivisions of prescribed balance-sheet accounts as are permitted (see sec. 3, p. 13, of the Uniform System of Accounts for Class A and B companies). All such subaccounts or subdivisions shall give reference by title, number, or both, to the accounts of which they are subdivisions. When such subaccounts or subdivisions are maintained, it is not required that the main account of which they are subdivisions shall be kept on the company's general books.

(2) Experimental or temporary accounts for which special provision is made in the Commission's orders on page 6 of the Uniform Systems of Accounts.

(3) Clearing accounts (other than those provided for Class A and B companies) necessary in making the proper distribution of items to appropriate primary accounts.

CASE 2.

Query. To what extent should detailed information be shown in the general books of telephone companies?

Answer. The records shall be kept with sufficient particularity to show fully the facts pertaining to all entries made in the accounts. Where the full information is not recorded in the general books, the entries therein shall be supported by other records in which the full details shall be shown. Such general book entries shall contain sufficient reference to the detail records to per-

mit ready identification of the latter, and the detail records shall be kept in such manner as to be readily accessible when required for examination by representatives of the Interstate Commerce Commission.

CASE 3.

Query. What is the significance of the term "balance sheet," as used in section 5, page 13, of the Uniform System of Accounts for Class A and B companies?

Answer. The balance sheet referred to in section 5 is the balance sheet contained in the reports required by the Interstate Commerce Commission.

CASE 4.

Query. May account No. 102, "Reserve for accrued depreciation—Cr." (Class C, account No. 185), be subdivided between the amount applicable to fixed capital (or plant and equipment) installed prior to the effective date of the system of accounts and that installed since that date?

Answer. Yes; but the subdivision is not required. Section 1, page 9, of the Uniform Systems of Accounts for Class A, B, and C companies permit the subdivision of any account, provided the integrity of the main account is not impaired.

CASE 5.

Query. If subaccounts for "reacquired securities," referred to in section 5, page 13, of the Uniform System of Accounts for Class A and B companies, are carried on a company's ledger, are such subaccounts debit or credit accounts when appearing (1) under an asset account and (2) under a liability account?

Answer. Such subaccounts are debit accounts, when under an asset account; and credit accounts, when under a liability account. The subaccounts are of the same nature as the principal accounts of which they are a part.

CASE 6.

Query. How should securities, sometimes termed "treasury securities," signed and sealed and placed with the proper officer for sale and delivery, be accounted for in the balance-sheet accounts?

Answer. The same treatment shall be accorded "treasury securities" as is provided for "reacquired securities" in section 5, page 13, of the Uniform System of Accounts for Class A and B companies. (*See Case 5.*)

Class C companies may carry such securities at par in account No. 110, "Securities," and in account No. 160, "Capital stock," or No. 165, "Funded debt," as may be appropriate, but in stating the balance sheet in reports to the Interstate Commerce Commission the par value of such securities shall be shown as deductions from the totals of these accounts.

CASE 7.

Query. What should be the accounting for a note carried in account No. 105, "Investment securities" (Class C, account No. 110), upon which payment of principal has been defaulted?

Answer. Transfer to account No. 117, "Bills receivable" (Class C, account No. 120), or to account No. 110, "Advances to system corporations for construction, equipment, and betterments" (Class C, account No. 120), as may be appropri-

ate. If the asset is of doubtful value, the transfer may be to account No. 136, "Other suspense" (Class C, account No. 150), pending the final disposition of the matter.

CASE 8.

Query. What should be the accounting for accruals of depreciation on investments in physical property carried in Class A and B account No. 111, "Miscellaneous investments" (Class C, account No. 105)?

Answer. Charge the accruals to account No. 303, "Other operating expenses" (Class C, account No. 340), if on operated property, or to account No. 320, "Rent expense" (Class C, account No. 340), if on nonoperated property, and credit account No. 170A, "Other deferred credit items" (Class C, account No. 190).

CASE 9.

Query. What should be the accounting for commissions paid to brokers for the purchase of the securities of other companies?

Answer. The amount of such commissions shall be considered as a part of the cost of the securities purchased.

CASE 10.

Query. To what account should be charged the cost of buildings and land not used in telephone operations and held for sale?

Answer. Account No. 111, "Miscellaneous investments" (Class C, account No. 105).

CASE 11.

Query. To what account should be charged the cost of buildings built to rent on land which is held for future central office or other telephone purposes?

Answer. The cost of such buildings shall be charged to account No. 111, "Miscellaneous investments" (Class C, account No. 105). The cost of land held for future telephone purposes shall be charged to account No. 211, "Land" (Class C, account No. 210).

CASE 12.

Query. What should be the accounting for rents received from and expenses in connection with property carried in account No. 111, "Miscellaneous investments" (Class C, account No. 105), and leased to others?

Answer. Credit rents received to account No. 311, "Miscellaneous rent revenues" (Class C, account No. 320), and charge expenses to account No. 320, "Rent expense" (Class C, account No. 320).

CASE 13.

Query. What should be the accounting for profits realized or losses sustained when securities of other companies carried in account No. 105, "Investment securities," or account No. 116, "Marketable securities" (Class C, account No. 110), are sold for more or less than the value at which they are carried on the accounting company's books?

Answer. Credit profits from sale of securities to account No. 401, "Miscellaneous additions to surplus" (Class C, account No. 195), and charge losses to account No. 417, "Other deductions from surplus" (Class C, account No. 195), except where provision for loss has been made in a reserve account.

CASE 14.

Query. What is the general distinction between Class A company accounts No. 113, "Cash," and No. 114, "Special deposits"?

Answer. Account No. 113 should include all items of cash or deposits which are subject to the control of the company and available for current general requirements.

Account No. 114 should include all items of cash or special deposits which, although remaining "working assets" of the company, are not available for current requirements. (*See Case 22.*)

"Time deposits" (usually covered by certificates of deposit), although technically not available for current requirements, as a practical matter generally are available and, if such is the case, may be included in account No. 113.

CASE 15.

Query. Is it required that Class A company account No. 114, "Special deposits," be set up to cover declared dividends?

Answer. No. Dividends may be paid from general cash, in which event it is not required that account No. 114 be used. This account should be used only when special deposits for this purpose are actually made.

CASE 16.

Query. Should the term "deposits to pay declared dividends and matured interest" in the definition of Class A company account No. 114, "Special deposits," be held to cover an undivided sum paid to mortgage trustees in satisfaction of the interest on a bond issue?

Answer. No. If the payment to the trustees satisfies the liability the amount should be charged to the appropriate interest liability accounts, and account No. 114 is not involved.

CASE 17.

Query. Is it required that all materials and supplies be carried through the materials and supplies account?

Answer. No. Materials and supplies purchased for a specific project or for immediate use may be charged directly to the accounts affected and need not be carried through account No. 122, "Materials and supplies" (Class C, account No. 135).

CASE 18.

Query. What should be the accounting for discounts realized through prompt payment and interest payable through delayed payment of bills for materials and supplies?

Answer. Materials and supplies shall be charged to the accounts at their actual cost in cash, or its equivalent, to the accounting company.

Discounts realized for the prompt payment of bills shall, as far as possible, be applied as credits to the accounts charged with the particular bills or invoices involved.

Discounts realized which can not be credited to the accounts charged with the particular bills or invoices involved shall be credited to account No. 704, "Supply expense" (Class C, account No. 135).

Interest on delayed payments shall be charged to account No. 336, "Other interest deductions" (Class C, account No. 360).

CASE 19.

Query. Do the Uniform Systems of Accounts require that assets be specifically set aside to cover sinking fund appropriations?

Answer. No. The setting aside of assets usually depends upon the provisions of the mortgage or upon the policy of the company. If assets are set aside they shall be carried in account No. 125, "Sinking fund assets" (Class C, account No. 140).

CASE 20.

Query. What should be the accounting for payments received and expenses incurred in the performance of custom work for others?

Answer. The expenses, including percentages added for supervision, use of tools, profit, etc., may be charged and the payments received may be credited to a suspense account, carried under account No. 120, "Miscellaneous accounts receivable" (Class C, account No. 130); any net profit from such transactions shall be credited to account No. 316, "Miscellaneous nonoperating revenues" (Class C, account No. 320). If the amounts involved are small, the expense may be charged to the appropriate operating expense accounts and the payments received shall, in such cases, be credited to the accounts previously charged.

CASE 21.

Query. What should be the accounting for amounts paid or received for options to bind a proposed purchase, sale, or lease?

Answer. Amounts paid for options shall, pending their final disposition, be charged to account No. 136, "Other suspense" (Class C, account No. 150). If the general project for which the option was obtained is finally carried out, the cost of the option shall be considered as part of the price or rental paid and charged to the appropriate asset, income, or other account. If the general project is finally abandoned, the cost shall be charged to account No. 417, "Other deductions from surplus" (Class C, account No. 195).

Amounts received for options given by the company shall, pending their final disposition, be credited to account No. 170A, "Other deferred credit items" (Class C, account No. 190). If the transaction is made as contemplated, the amount received shall be considered as a part of the price or rental received and credited to the appropriate accounts. If the option is forfeited, the amount originally received by the company shall be credited to account No. 401, "Miscellaneous additions to surplus" (Class C, account No. 195).

CASE 22.

Query. To what account should be charged amounts deposited with municipalities to guarantee the proper restoration of street paving and other deposits with public authorities, the making of which does not rest solely within the company's discretion?

Answer. If it is probable that the funds can be withdrawn within one year from the date of deposit, charge account No. 114, "Special deposits" (Class C, account No. 115). If it is probable that funds can not be withdrawn within one year charge account No. 136, "Other suspense" (Class C, account No. 150), since in such cases the deposits could not be considered working assets of the company. (See Case 14.)

CASE 23.

Query. Should notes, given when money is borrowed under an arrangement requiring a series of partial payments which commence within a year but extend over a period longer than one year, be treated as funded debt or notes payable?

Answer. Such notes shall be treated as funded debt and credited to account No. 153, "Funded debt" (Class C, account No. 165).

CASE 24.

Query. A company makes deductions monthly from the salaries of its employees and credits the amounts deducted to a hospital fund account. Against this account are charged the expenses of employees at private hospitals. In what account on the balance-sheet statement shall the liability for the unexpended portion of such funds be shown?

Answer. Account No. 170, "Liability on account of provident funds" (Class C, account No. 190).

CASE 25.

Query. Section 9, page 32, of the Uniform System of Accounts for Class A and B companies provides that all property having an expected life of more than one year (except small tools) shall be charged to fixed capital. There are other items of small value, which, while having an expectation of life of more than one year, are difficult to keep record of and are likely to be lost. May such items be charged direct to operating expenses?

Answer. Individual items of small value (e. g., amounts less than \$5) classable as general equipment under accounts Nos. 260 to 265 (Class C, account 260), even though having an expectancy of life of more than one year, may be charged direct to the operating expense accounts or through the clearing accounts.

CASE 26.

Query. How should the "term of life" of items included in account No. 204, "Other intangible capital," be computed, especially in connection with those items referred to in section 13 of the Uniform System of Accounts for Class A and Class B companies?

Answer. The term of life of such intangible items should be determined by the purchasing company. In general, it should represent that period during which the intangible value may be expected to exist in the property apart from the life of the physical units to which it is related.

CASE 27.

Query. When a going or completed plant has been purchased, how should the appraisal be made of duplicate or otherwise useless items which must be retired by the purchasing company?

Answer. If it is reasonably certain at the time when the appraisal is completed that some items of property must be disposed of within a year after the date of purchase, such items may be appraised at their salvage value; otherwise at "structural value" (see sec. 18, p. 33, of the Uniform System of Accounts, Class A and B companies). Particular care must be taken to follow these retirements so that upon completion the prescribed accounting will have been effected.

CASE 28.

Query. Does the term "structural value" as used in section 13, page 33, of the Uniform System of Accounts for Class A and B companies, mean structural value to the buyer or to the seller?

Answer. The structural value to the buyer is meant.

CASE 29.

Query. What is the scope of the word "appraisal" as used in section 13, page 33, of the Uniform System of Accounts for Class A and B companies?

Answer. The requirement that an appraisal be made for all property purchased does not mean that the properties should necessarily be physically inventoried. When other and more economical methods exist for obtaining, with reasonable accuracy, the information required in the appraisal, it is permissible to use such other methods. If a physical inventory is not taken, however, records shall be kept showing upon what basis the appraisal was made and the facts, expert opinions, and estimates upon which the figures were determined.

CASE 30.

Query. What items should be classified as "going or completed plant" under section 13, page 33, "Plant and equipment and other property purchased" of the Uniform System of Accounts for Class A and B companies?

Answer. The term "going or completed plant" is intended to cover only the entire plant of a telephone company or an important unit thereof; such as—

- (1) A telephone company as a whole,
- (2) An entire central office,
- (3) A system of lines and stations within a given area, or
- (4) A complete section of toll plant.

The purchase by one company from another of several poles and appurtenances, a switchboard, or other minor portions of plant shall be treated in the same manner as the purchase of materials and supplies; i. e., the purchasing company shall charge the fixed capital accounts at cost, as provided in section 10, page 33, of the Uniform System of Accounts for Class A and B companies.

CASE 31.

Query. How should the following sentence, appearing in section 14, page 34, of the Uniform System of Accounts for Class A and B companies, be interpreted: "The entry of the credit to the fixed capital account should cite, by name and page of book or other record, the original entry of cost of the thing withdrawn"?

Answer. These instructions should be applied literally when large units of property, such as buildings, automobiles, large units of repair-shop machinery, and, in general, all other items which the company recognizes and records separately on its books, are involved. When small items and certain relatively large items are handled in such a volume as to require the use of averages, which are based upon accurate records, it is permissible to use average unit costs, and in such cases it will not be necessary to cite the original entry of cost of the thing withdrawn.

CASE 32.

Query. When private branch exchanges and booths and special fittings are retired from service and the fixed capital accounts credited, to what account should the original installation expense be charged?

Answer. Retirements of private branch exchanges and booths and special fittings shall be accounted for as provided in section 14, page 34 (Class C, sec. 13, p. 12) of the Uniform System of Accounts.

The treatment for the installation expense of stations as provided in account No. 607 (Class C, No. 620) is intended only for the retirements of stations and is not applicable to this class of property.

CASE 33.

Query. When contractors perform construction work for the telephone company what should be the accounting for amounts received from or paid to them under the following conditions:

- (1) Amounts received in accordance with the terms of contract for delay in completion of work.
- (2) Amounts received because of defective workmanship or material.
- (3) Amounts received because of abrogation of contract in whole or in part.
- (4) Amounts paid for completion of work before time specified.

Answer. (1) Amounts received, under the terms of the contract, for delayed completion of work shall be apportioned and credited to the accounts to which the cost of the work was charged. If, however, in connection with delayed construction additional amounts are collected in reimbursement of expenses incurred by or revenues lost to the telephone company, such amounts shall be credited to the appropriate revenue or expense accounts. (See Case 90.)

(2) If the telephone company corrects the defects, the cost of correcting shall be charged to the plant accounts and the amounts received from the contractor shall be credited to the accounts which were charged with the contract price. If the telephone company accepts the work without correcting the defective condition and charges the plant accounts with the full contract price, any amount recovered from the contractor shall be credited to the accounts which were charged with the contract price.

(3) Amounts received because of abrogation of contract shall be credited to account No. 401, "Miscellaneous additions to surplus" (Class C, account No. 195).

(4) Amounts paid for completion of work before time specified shall be apportioned and charged to the accounts to which the cost of the work was charged.

CASE 34.

Query. What shall be the accounting for improvements on leased buildings?

Answer. In the case of leases where substantially the full benefit of improvements will be obtained, the cost of additions to, and betterments of, leased property shall be charged to a subaccount under the appropriate fixed capital (plant and equipment) accounts. Depreciation and retirements in connection therewith shall be treated in the same manner as on company-owned property.

In the case of leases where ordinarily the full benefit of improvements will not be obtained and where any permanent improvements usually revert to the lessor at the expiration of the lease, the cost of improvements, including the moving of partitions and providing awnings, screens, shades, window ventilators, etc., shall be charged to account No. 183, "Other prepayments," (Class C,

account No. 145) and cleared over a suitable period to account No. 610, "Other maintenance expenses" (Class C, account No. 640). Ordinarily the clearance period should be the period of the lease, but a shorter period should be used if the conditions are such that the improvements will be retired before the expiration of the lease.

The ordinary current repairs, also minor rearrangements and changes in connection with the leased buildings, shall be charged to the appropriate maintenance or other operating expense accounts.

CASE 35.

Query. What should be the accounting for expenditures on property of others incurred in maintenance or construction work of the company?

Answer. Such expenditures, if borne by the company, shall be treated as a part of the cost of the work being conducted by the company, e. g., if in the construction of a toll pole line the company is obliged to relocate property of another company, the cost shall be charged to account No. 251, "Toll pole lines" (Class C, account No. 250).

CASE 36.

Query. What should be the accounting for donations received in aid of construction?

Answer. The cost of construction shall be charged to the fixed capital (or plant and equipment) accounts in accordance with the rules contained in the Uniform Systems of Accounts.

Donations received from States, counties, municipalities, and other governmental bodies shall be credited to a subaccount entitled "Grants in aid of construction," and carried under No. 171, "Surplus invested since December 31, 1912, in fixed capital" (Class C, account No. 195). While such donations should be separately carried under an appropriate liability account and not classified as surplus, they may, until such time as the systems of accounts are reissued, be carried under account No. 171 (Class C, No. 195), as the most available under the current systems of accounts.

Donations received from individuals, firms, and corporations shall be credited to account No. 401, "Miscellaneous additions to surplus" (Class C, account No. 195). If such donations are not subject to distribution as dividends, Class A and B companies shall also charge the amounts thereof to account No. 415, "Appropriations of surplus for construction, equipment, and betterments," and credit account No. 171, "Surplus invested since December 31, 1912, in fixed capital."

CASE 37.

Query. What should be the accounting when a company sells a part of its property for a lump sum?

Answer. The primary fixed capital (plant and equipment) accounts involved shall be credited with amounts carried therein with respect to the property sold. The difference between the total amount thus credited and the amount received shall be treated as provided in section 14, page 34, of the Uniform System of Accounts for Class A and B companies; section 18, page 12, for Class C companies.

CASE 38.

Query. What should be the accounting when a telephone company grants to others for a lump sum a so-called permanent right (not right of way) to use a part of its property, or acquires similar rights?

Answer. The amounts received from the granting of such rights shall be credited, in total, by the grantor to a subaccount "Property rights granted—Cr." under account No. 274, "Miscellaneous construction expenditures" (Class C, account No. 270).

The amounts paid for such rights shall be charged, in total, by the grantee to a subaccount "Property rights acquired" under account No. 274, "Miscellaneous construction expenditures" (Class C, account No. 270).

If the grantor subsequently reacquires any of the rights originally granted the subaccount "Property rights granted—Cr." shall be debited with the amount at which such rights are carried in that account. Similarly, if the grantee relinquishes any rights on the property of others, it shall credit the subaccount "Property rights acquired" with the amount at which such rights are carried in that account.

While these items differ from those usually carried in account No. 274, "Miscellaneous construction expenditures" (Class C, account No. 270) they may until such time as the systems of accounts are revised, be carried in that account under the subaccounts specified as the most available treatment under the current systems of accounts.

CASE 39.

Query. What should be the accounting for amounts paid for temporary rights, such as pole or other attachments (not right of way), on the property of others, and for amounts received for similar rights given?

Answer. If compensation therefor is paid or received currently, the company obtaining such rights shall charge amounts paid to the appropriate rent deduction accounts, while the company giving such rights shall credit the appropriate rent account under Operating Revenues or Income.

If a lump sum is paid or received in advance for such rights, that amount should be given the usual treatment accorded prepaid items and cleared to the appropriate rent deduction or rent revenue accounts during the period covered by the right.

CASE 40.

Query. Should the fixed capital accounts be charged with any portion of the pay and expenses of employees who are primarily engaged in maintenance and operation but who devote part of their time to construction work?

Answer. An equitable proportion of the salaries and expenses of such employees may be charged to the fixed capital (or plant and equipment) accounts, but no charges shall be made to these accounts for merely incidental services of officers and employees whose time is regularly devoted to the operation and maintenance of the plant.

CASE 41.

Query. To what account should be charged fees and expenses of attorneys other than regular employees of the company engaged in the preparation of legal papers required in the merger of one company with another?

Answer. Account No. 201, "Organization" (Class C, account No. 200).

CASE 42.

Query. To what account should be charged the cost of plant or supplies given or leased to a municipality under the requirements of a franchise, minute, ordinance, resolution, contract, or other agreement?

Answer. If given as an initial consideration for a franchise extending for more than one year, charge account No. 202, "Franchises" (Class C, account No. 200); if given annually or at shorter periods charge account No. 673, "Telephone franchise requirements" (Class C, account No. 680).

If plant owned by the company is rented to a municipality without charge, charge first cost to the appropriate fixed capital (plant and equipment) accounts. Any maintenance costs incurred on such plant shall be charged to the appropriate maintenance accounts. (*See Case 103.*)

CASE 43.

Query. To what account should be charged the cost to the company of sidewalks on public streets abutting the company's property?

Answer. Account No. 211, "Land" (Class C, account No. 210).

CASE 44.

Query. What should be the accounting for pay station and other signs?

Answer. Signs shall be classified and accounted for as follows:

(1) General company signs, usually showing name of company and of a somewhat permanent character—

(a) Cut in stone or painted on buildings or general equipment: If in connection with company-owned buildings or equipment, charge appropriate fixed capital (or plant and equipment) account for buildings, general equipment, etc.

(b) Metal or wooden signs: Class as general equipment and charge appropriate fixed capital (or plant and equipment) account.

(c) Repairs and replacements shall be treated in the same manner as repairs and replacements of other telephone plant.

(2) Departmental signs, usually placed on doors, windows, or walls for the guidance of the public, but not for the purpose of attracting traffic, and generally of relatively short life: Charge appropriate expense account of particular department involved, except for the first cost of signs in a new company-owned building, which should be treated as part of the cost of the building.

(3) Public signs, installed to attract traffic and for guidance to public pay stations—

(a) If of relatively large value and long life, e. g., large electric signs, class as general equipment and charge appropriate fixed capital (or plant and equipment) account. Expenses in connection with such signs shall be charged to account No. 642, "Advertising" (Class C, No. 680).

(b) If of small value or short life, e. g., metal, glass, paper, cardboard, or decalcomania devices, charge the cost to account No. 642 (Class C, No. 680).

CASE 45.

Query. To what account should be charged the cost of a retaining wall built on a company-owned lot?

Answer. Account No. 212, "Buildings" (Class C, account No. 210).

CASE 46.

Query. Should account No. 212, "Buildings" (Class C, account No. 210), include all items classified in the definition of this account without regard to the amount involved?

Answer. No. When single additions to or replacements in buildings are of small amount (for example, less than \$5), the expenditure may be charged direct to the operating expense accounts or through the clearing accounts (*See Case 25.*)

CASE 47.

Query. How should company-owned telephone equipment, installed and maintained by a railroad company or by other lessee, be carried in the asset accounts?

Answer. Charge the cost to the telephone company of such items to account No. 220, "Central office equipment," or account No. 230, "Station equipment," or the subaccounts thereunder (Class C, account No. 220 or No. 230), as may be appropriate.

CASE 48.

Query. To what account should be charged the cost of protectors installed in connection with central-office telephone equipment?

Answer. Such protectors when installed within a central-office building, whether mounted on the main distributing frame, or on racks, or in a box attached to the interior building wall, shall be charged to account No. 221, "Central-office telephone equipment" (Class C, account No. 220). If mounted outside the building, the charge shall be made to the appropriate cable or wire account.

CASE 49.

Query. To what account should be charged the cost of creating phantom circuits?

Answer. Account No. 221, "Central office telephone equipment" (Class C, account No. 220), and the appropriate cable or wire accounts (exchange or toll), according to the class of plant worked upon.

CASE 50.

Query. To what account should be charged the cost of a balcony built to reach the upper part of the main frame?

Answer. Account No. 221, "Central office telephone equipment" (Class C, account No. 220).

CASE 51.

Query. To what account should be charged the cost of loading coils installed on poles, or in test stations and central offices?

Answer. Loading coils designed primarily for use on poles should be charged to the same account as is charged the circuit of which they are a part, even though such loading coils may occasionally be used in central offices or test stations.

Loading coils designed primarily for use in central offices should be charged to account No. 221, "Central office telephone equipment" (Class C, account No. 220).

CASE 52.

Query. To what account should be charged the initial cost of furniture and fixtures and the cost of repairs and replacements thereof?

Answer. (1) The first cost of furniture and fixtures shall be charged to the fixed capital accounts as follows:

Class A and B companies charge to—

- No. 222. "Other equipment of central offices."—Furniture and fixtures in the operating and terminal rooms of central offices, in operators' schools and in rest and lunch rooms.
- No. 235. "Booths and special fittings."—Furniture and fixtures at public pay stations.
- No. 261. "Office furniture and fixtures."—Furniture and fixtures in general offices, division offices, and plant, traffic and commercial offices.
- No. 262. "General shop equipment."—Furniture and fixtures in shops.
- No. 263. "General store equipment."—Furniture and fixtures in storerooms and storehouses.
- No. 264. "General stable and garage equipment."—Furniture and fixtures in stables and garages.

Class C companies charge to—

- No. 220. "Central office equipment."—Furniture and fixtures in the operating and terminal rooms of central offices, in operators' schools and in rest and lunch rooms.
- No. 260. "General equipment."—Other furniture and fixtures.

(2) The cost of repairs of furniture and fixtures, and of replacements when provision for replacements has not been made in the depreciation reserve shall be charged to the operating expense and clearing accounts, as follows:

Class A and B companies charge to—

- No. 604. "Repairs of central office equipment."—The expense on furniture and fixtures carried in account No. 222.
- No. 605. "Repairs of station equipment."—The expense on furniture and fixtures carried in account No. 235.
- No. 666. "Other general office supplies and expenses."—The expense on furniture and fixtures carried in account No. 261, except where separate offices are maintained for the plant, traffic, or commercial forces, in which case the expenses should be charged to accounts Nos. 706, 621 to 633, inclusive, or 640 to 650, inclusive, respectively.
- No. 701. "Shop expense."—The expense on furniture and fixtures in shops.
- No. 702. "Stable and garage expense."—The expense on furniture and fixtures in stables and garages.
- No. 704. "Supply expense."—The expense on furniture and fixtures in storerooms and storehouses.

Class C companies charge to—

- No. 610. "Repairs of equipment."—The expense on furniture and fixtures carried in account No. 220.
- No. 680. "Other general expenses."—The expense on furniture and fixtures carried in account No. 260.

(3) The cost of replacements of furniture and fixtures, when provision for the replacements has been made in the Depreciation Reserve, shall be handled through the fixed capital (or plant and equipment) accounts; that is, the cost of the property retired or replaced shall be credited to the appropriate fixed capital (or plant and equipment) accounts and the new property shall be charged thereto.

(4) Inventories or appraisals of the furniture and fixtures in use should, from time to time (preferably annually), be made at cost prices (estimated, if not known) and the fixed capital (plant and equipment) accounts shall be

adjusted to the inventoried or appraised figures by charging or crediting the appropriate expense accounts or the depreciation reserve, if the latter account is affected.

(5) Companies whose investment in furniture and fixtures is not set up in accordance with the foregoing paragraphs may, upon obtaining special authority from the Commission, make the necessary adjustments in their fixed capital (plant and equipment) accounts.

(6) When furniture is used jointly by two or more departments, the principal function for which it is used should determine the fixed capital (plant and equipment) account to which the initial costs should be charged. Repairs and replacements of such furniture should be charged to the particular account under (2) or (3) above, in conformity with the plant account to which the cost of the furniture was charged.

CASE 53.

Query. What should be the accounting for the cost of awnings, door and window screens, window shades, and analogous items when installed in owned buildings?

Answer. These items are classed as furniture and fixtures and the initial cost, the cost of replacements, and the cost of repairs shall be accounted for in the same manner as for furniture and fixtures. (See Case 52.)

However, when a building is occupied by several departments of a telephone company, the cost of awnings, door and window screens, window shades, and analogous items, wherever installed, may at the option of the accounting company be charged to account No. 261, "Office furniture and fixtures" (Class C, account No. 260); in such cases, the maintenance expenses shall be charged to account No. 707, "House service expense" (Class C, account No. 640).

CASE 54.

Query. What accounts should be charged with the cost of chemical fire extinguishers?

Answer. Such equipment should be classed as furniture and fixtures and charged accordingly. (See Case 52.)

CASE 55.

Query. To what account should be charged the cost of "order table systems" installed for the use of department stores or other subscribers?

Answer. The cost of the order table, including the table wiring, equipment, table telephone sets and cost of installation, shall be charged to account No. 234, "Private branch exchanges" (Class C, account No. 230).

CASE 56.

Query. To what account should be charged the cost of pumping water out of manholes and of cleaning manholes and ducts to permit installation of new cable or for repair work on existing cables?

Answer. The expense of necessary pumping or cleaning in connection with the maintenance or operation of the plant shall be charged to account No. 603, "Repairs of underground plant" (Class C, account No. 600).

The cost of any pumping or cleaning in connection with new construction and not necessary in the maintenance or operation of the plant shall be charged to the appropriate fixed capital (plant and equipment) accounts.

CASE 57.

Query. To what account should be charged the installation cost of bridle-wire cables used to connect open-wire circuits with cable circuits or with central office equipment?

Answer. When used to connect open-wire circuits with cable circuits, charge aerial, underground, or submarine cable, toll or exchange, in accordance with the classification of the cable connected.

When used to connect open-wire circuits with central-office equipment, charge aerial or underground cable, toll or exchange, in accordance with the nature of the run to the central office, and the classification of the circuits on the pole line.

CASE 58.

Query. To what account should be charged the cost of electrolytic surveys made to ascertain the cable protection needed against electrolysis?

Answer. The original cost shall be charged to the cable construction account or accounts involved. Later surveys made during the life of such cable shall be charged to the repair accounts.

CASE 59.

Query. A type of cable is inclosed in a sheath of oakum and steel and is used underground without conduit or concrete. To what account should be charged the cost in place of such cable, including the cost of trench digging?

Answer. Account No. 245, "Exchange underground cable," or No. 255, "Toll underground cable" (Class C, accounts Nos. 240 or 250), as may be appropriate.

CASE 60.

Query. To what account should be charged the cost of a bond or negative return attached to the cable sheath, together with an electrolysis bond opener connected therein, and of plant to carry such apparatus?

Answer. Charge the cost of the bond or negative return and the bond opener to the same account as the cable protected. Charge the cost of the ducts, cross arms, poles, right of way, etc., used to carry such apparatus (or any portion thereof paid for by the accounting company) to the regular fixed capital (or plant and equipment) accounts. Attachment rentals paid to other companies for such privileges shall be charged account No. 332, "Rent deductions for conduits, poles and other supports" (Class C, account No. 680).

CASE 61.

Query. To what account should be charged the expense of special protection at a high potential line crossing?

Answer. Whether installed on the company's telephone lines or on the high potential line, charge account No. 241, "Exchange pole lines," or account No. 251, "Toll pole lines" (Class C, account No. 240 or No. 250), as may be appropriate with the original cost of the protective work, and charge any subsequent repairs thereon to account No. 602, "Repairs of aerial plant" (Class C, account No. 600).

CASE 62.

Query. Is it permissible to adjust the fixed capital accounts for general equipment upon the basis of periodical inventories to correct discrepancies arising during the year?

Answer. Yes. Adjustments to correct discrepancies arising during the current year may be made in accounts Nos. 260 to 265, inclusive (Class C, account No. 260). Concurrent charges or credits should be made to the appropriate expense accounts or to the depreciation reserve account, if the latter is affected. (See Case 52).

CASE 63.

Query. To what account should be charged the cost of cabinets, frames, and plates used with addressing machines?

Answer. The cabinets shall be charged to account No. 261, "Office furniture and fixtures" (Class C, account No. 260).

The frames, plates (or cards), and similar material, when purchased for revenue accounting purposes, should be charged to account No. 646, "Revenue accounting," otherwise to the appropriate expense account for printing and stationery (Class C, account No. 680).

CASE 64.

Query Is it permissible to charge to account No. 268, "Interest during construction" (Class C, account No. 270) interest on the company's working funds used in construction work? If so, to what account should such interest be credited?

Answer. Account No. 268, "Interest during construction" (Class C, account No. 270) may be charged with interest accruing on the company's working funds used in construction work. If this is done a subaccount under account No. 813, "Interest revenues" (Class C, account No. 820) shall be credited.

CASE 65.

Query. To what account should be charged insurance premiums paid on construction material or on equipment or structures under construction?

Answer. Insurance premiums paid on construction material or on equipment or structures under construction shall be charged to specific plant accounts when direct allocation to such plant accounts is possible.

When such allocation is not possible, apportion the cost of premiums over the appropriate plant accounts or charge to account No. 274, "Miscellaneous construction expenditures" (Class C, account No. 270).

CASE 66.

Query. What should be the accounting for premiums on liability insurance covering accidents to persons or damages to the property of others during construction or operations?

Answer. Charge the cost of premiums to account No. 668, "Insurance" (Class C, account No. 680). Subsequently, the proportion of the premiums applicable to construction shall be credited to account No. 668 (Class C, 680) and charged to the particular plant accounts where direct allocation is possible. When such allocation is not possible, apportion the cost of premiums over the appropriate plant accounts or charge to account No. 274, "Miscellaneous construction expenditures" (Class C, account No. 270).

Premiums incident to construction work only shall be charged direct to the plant accounts affected or to account No. 274 (Class C, No. 270).

CASE 67.

Query. When funded debt securities which mature serially are sold in one lot at a flat discount rate upon the entire par value, how should the discount be amortized?

Answer. The discount and expense shall be charged to account No. 135, "Unamortized debt discount and expense" (Class C, account 150) and amortized through charges to account No. 338, "Amortization of debt discount and expense" (Class C, account 370) in such manner that the ratio between the amortization charges and the principal of the securities outstanding will be uniform for all fiscal periods.

For example: A company issues five \$1,000 bonds, one maturing each year.

The debt discount and expense on the issue are \$450. The distribution of the discount and expense should be as follows:

First year, principal outstanding, \$5,000; amortization charge (rate, 3 per cent), \$150.

Second year, principal outstanding, \$4,000; amortization charge (rate, 3 per cent), \$120.

Third year, principal outstanding, \$3,000; amortization charge (rate, 3 per cent), \$90.

Fourth year, principal outstanding, \$2,000; amortization charge (rate, 3 per cent), \$60.

Fifth year, principal outstanding, \$1,000; amortization charge (rate, 3 per cent), \$30.

CASE 68.

Query. To what account should be charged the cost of printing handbooks containing plant-accounting instructions and the cost of badges furnished plant department employees?

Answer. Account No. 706, "Plant supervision expense" (Class C, account No. 640).

CASE 69.

Query. To what account should be charged the expense of an examination of titles of real property and other matters affecting the validity of an issue of bonds?

Answer. If such expense is incurred in connection with the issuance of bonds it shall be charged to account No. 135, "Unamortized debt discount and expense" (Class C, account No. 150) and written off by charges to account No. 338, "Amortization of debt discount and expense" (Class C, account No. 370). If the expense has been incurred in a suit to test the validity of the bond issue it shall be charged to account No. 667, "General law expenses" (Class C, account No. 680).

CASE 70.

Query. How should the phrase "include as nearly as may be possible the total amount of the taxes in the period to which they apply," given in section 16, page 47, of the Uniform System of Accounts for Class A and B companies, be applied?

Answer. (1) Tax assessments for the Federal income tax, State gross revenue taxes and other large and important taxes pertaining to definite and known fiscal periods of the Federal Government, State or other large taxing districts, should be accrued through the months of the fiscal period to which the tax applies. At the end of a company's fiscal year, the sum of the monthly

accruals should equal the estimated liability of the company as of that date for this class of taxes and, at the end of the period for which any tax is assessed, the accruals should equal the total of the tax assessment.

(2) Tax assessments, such as for school taxes, property taxes, poll taxes, wire mileage taxes, etc. (comprising the major portion of tax items), usually assessed by local authorities and covering fiscal periods more or less uncertain, may be accrued through the months of the fiscal period *in which they must be paid*. At the end of the company's fiscal year, the monthly accruals made during the year should equal *payments*. In making accruals, it is unnecessary to consider each tax separately, but rather the whole class should be considered by means of general comparisons with similar periods of preceding years, expected changes, etc.

CASE 71.

Query. What should be the accounting for taxes on materials and supplies carried in stock?

Answer. Taxes on materials and supplies carried in stock should, as a general rule, be charged to account No. 305, "Taxes assignable to operations" (Class C, account No. 350). In specific cases, however, where materials and supplies are definitely assigned to be used in construction work, the proportion of taxes applicable to such materials and supplies may be allocated to the appropriate plant accounts or charged to account No. 273, "Taxes during construction" (Class C, account No. 270).

CASE 72.

Query. When the expenses of a State utilities commission are borne by the utilities and apportioned among them, to what account should be charged a company's proportion of such expenses?

Answer. Account No. 305, "Taxes assignable to operations" (Class C, No. 350).

CASE 73.

Query. To what accounts should be charged the cost, when borne by the company, of internal revenue stamps required under the act entitled "An act to increase the internal revenue, and for other purposes," approved October 22, 1914?

Answer. The cost of internal revenue stamps purchased directly from the Government or its agents should, as a general rule, be charged to account No. 305, "Taxes assignable to operations" (Class C, account No. 350). In important and exceptional cases other appropriate accounts shall be charged; e. g., the expense of stamps in connection with new issues of capital stock shall be charged to account No. 201, "Organization" (Class C, account No. 200); the expense of stamps in connection with new construction work shall be charged to the appropriate fixed capital (plant and equipment) accounts, and the expense of stamps in connection with the issuance of funded debt shall be charged to account No. 135, "Unamortized debt discount and expense" (Class C, account No. 150) and amortized over the life of the debt.

Indirect expenditures for internal revenue stamps shall be charged to the appropriate departmental or other accounts; e. g., when an express company affixes stamps to bills of lading and transfers the charge to the telephone company the cost should be included as a part of the cost of transportation.

CASE 74.

Query. To what account should franchise taxes paid periodically be charged?

Answer. Account No. 305, "Taxes assignable to operations" (Class C, account No. 350).

CASE 75.

Query. To what account should be credited rentals from instruments leased to connecting companies?

Answer. Account No. 311, "Miscellaneous rent revenues" (Class C, account No. 320). This does not apply to the case where instruments and general supervision are furnished under an agreement for apportioning the revenues of the licensee. In this case, account No. 528, "Licensee revenue—Cr." (Class C, account No. 530) shall be credited.

CASE 76.

Query. When in connection with collateral trust bonds, the trustee holds certain securities against the contingency of default by the debtor company, the income on such collateral being the property of the debtor company, to what account should such income be credited?

Answer. Account No. 312, "Dividend revenues" or account No. 313, "Interest revenues" (Class C, account No. 320) as may be appropriate.

CASE 77.

Query. What is the significance of the phrase "if the fund is required to be represented by a reserve" in Note B under Class A and B account No. 314, "Sinking and other reserve fund accretions"?

Answer. The phrase refers to the provision of the deed of trust or other contract, or to the policy of the company, and not to any requirement of the Uniform System of Accounts.

CASE 78.

Query. The text of accounts No. 335, "Interest deductions for funded debt" (Class C, account No. 360), and No. 314, "Sinking and other reserve fund accretions," excludes interest on securities issued or assumed by the company. A company has in a sinking fund both securities of its own issue and securities assumed by it, the interest on which under the terms of the mortgage is to accumulate in the fund. What should be the accounting for such interest?

Answer. If the deed of trust or policy of the company requires that the interest accruing on such securities accumulate to the sinking fund, the accounting for the interest shall be as follows:

(1) Class A and B companies shall charge amounts equal to such interest to account No. 350, "Appropriations of income to sinking and other reserve funds," and credit similar amounts to account No. 172, "Surplus invested in sinking funds." When the cash is turned over to the trustees, or to the fund, charge account No. 125, "Sinking fund assets," and credit account No. 113, "Cash." If no reserve is to be set up to cover the fund the charge to account No. 350 and credit to account No. 172 should be omitted.

(2) Class C companies shall charge amounts equal to such interest to account No. 370, "Miscellaneous charges to income," and credit a subaccount under account No. 195, entitled "Surplus invested in sinking funds." When the cash is turned over to the trustees or to the fund, charge account No. 140, "Special

funds," and credit account No. 115, "Cash." If no reserve is to be set up to cover the fund, the charge to account No. 370 and credit to account No. 195 should be omitted.

CASE 79.

Query. To what account should be charged the amounts of bills covering the sale of small quantities of supplies or the cost of work done for others, which have proved to be uncollectible?

Answer. Account No. 323, "Uncollectible nonoperating revenues" (Class C, account No. 680). Charges to subscribers for moves and changes of telephone equipment which have been credited to account No. 607, "Station removals and changes" (Class C, account No. 620), in anticipation of collection, and which have proved to be uncollectible, shall be charged to account No. 607 (Class C, No. 620).

CASE 80.

Query. What should be the accounting for maintenance and operating expenses in connection with, and rents received from, space leased to others in buildings partly occupied by the telephone company?

Answer. If the expenses of maintaining and operating the rented portion can be separated accurately from the expenses on the portion used by the company, such expense shall be charged to account No. 320, "Rent expense" (Class C, account No. 320), and the rent received shall be credited to account No. 311, "Miscellaneous rent revenues" (Class C, account No. 320). The expense on the portion of building used by the company shall be charged to the appropriate operating expense accounts.

If the expense on the rented portion can not be separated accurately, the entire expense shall be charged to the operating expense accounts, and the rent received shall be credited to account No. 505, "Minor rents of exchange plant" (Class C, account No. 500) if building is used by the company exclusively for exchange purposes, to account No. 515, "Minor rents of toll plant" (Class C, account No. 510) if building is used exclusively for toll purposes, or to account No. 524, "Rents from other operating property" (Class C, account No. 520) if building is used for both exchange and toll purposes.

In the case of a large property, where the company uses only a minor portion and the expenses can be apportioned on an equitable basis, it is desirable to use accounts Nos. 311 and 320 (Class C, No. 320).

CASE 81.

Query. What should be the accounting when a lessee company pays interest or dividends on the securities of a lessor company in accordance with the terms of the rental agreement between them?

Answer. The amounts so paid shall be charged by the lessee to account No. 330, "Rent deductions for lease of telephone plant" (Class C, account No. 370), and credited by the lessor to account No. 310, "Rent revenues from lease of telephone plant" (Class C, account No. 320).

CASE 82.

Query. To what account should be charged the cost of minor work done in lieu of cash payments for pole locations, poles, and other supports, e. g., main-

tenance of telegraph lines of a railroad company in return for right-of-way privileges?

Answer. Account No. 602, "Repairs of aerial plant" (Class C, account No. 600).

CASE 83.

Query. To what account should be charged amounts paid periodically to a railroad company for permission to cross its right of way, the right being reserved to revoke the permission at pleasure?

Answer. Account No. 334, "Miscellaneous rent deductions" (Class C, account No. 680).

CASE 84.

Query. To what account should be charged rents paid for pole locations?

Answer. Account No. 332, "Rent deductions for conduits, poles, and other supports" (Class C, account No. 680).

CASE 85.

Query. To what account should be charged rents paid for the use of circuits?

Answer. Account No. 334, "Miscellaneous rent deductions" (Class C, account No. 680).

CASE 86.

Query. What should be the accounting when property leased by the accounting company is subleased, in whole or in part, to others?

Answer. Property subleased to others shall be accounted for as if the accounting company were leasing its own property.

If, however, the accounting company acts only in the capacity of an agent without profit in leasing property for others, the receipts from lessee and the payments to lessor may be applied to the same primary account or cleared through a suspense account.

CASE 87.

Query. The coupons on certain securities contain a stipulation that if not paid on date of maturity the coupons shall bear interest from that date. To what account should the interest on the coupons be charged?

Answer. Account No. 336, "Other interest deductions" (Class C, account No. 360).

CASE 88.

Query. A company sells short-term notes because the money market does not warrant the sale of the bonds which are deposited as collateral for the notes. Is it permissible to spread the discount on the notes over the life of the bonds, treating the sale and retirement of both notes and bonds as one transaction?

Answer. The sale and retirement of the notes shall be separately considered and the discount suffered on the notes shall be charged to account No. 336, "Other interest deductions" (Class C, account No. 360).

CASE 89.

Query. To what account should be charged interest paid on taxes overdue and unpaid?

Answer. Account No. 336, "Other interest deductions" (Class C, account No. 360).

CASE 90.

Query. What should be the accounting treatment in connection with delayed items of revenue, expense, or income?

Answer. Delayed items of revenue, expense, or income shall be credited or charged to the same account as would have been credited or charged if the items had been taken up in the period to which they pertained. If, however, the amounts involved are deemed sufficient to impair comparisons unduly and the company does not desire to charge them to the current accounts, adjustments may be made through the surplus or deficit accounts (Class A and B, accounts Nos. 401 and 417; Class C, account No. 195) upon obtaining special authority from the Interstate Commerce Commission.

CASE 91.

Query. What should be the accounting treatment in connection with adjustments of errors in the revenue, expense, and income accounts of a prior fiscal year?

Answer. Errors in the revenue, expense, and income accounts of a prior fiscal year should be adjusted through the revenue, expense, and income accounts, respectively, of the year in which the errors are discovered. If, however, the amounts involved are deemed sufficient to impair comparisons unduly and the company does not desire to charge them to the current accounts, adjustments may be made through the surplus or deficit accounts (Class A and B, accounts Nos. 401 and 417; Class C, account No. 195) upon obtaining special authority from the Interstate Commerce Commission.

CASE 92.

Query. To what account should be credited an amount received for the surrender of an unexpired lease on property?

Answer. Account No. 401, "Miscellaneous additions to surplus" (Class C, account No. 195).

CASE 93.

Query. When the securities of a telephone company are reacquired, and then resold at a price other than par, what should be the accounting for the difference between the sale price and the par value?

Answer. Credit any profit to account No. 401, "Miscellaneous additions to surplus" (Class C, account No. 195), and debit any loss to account No. 417, "Other deductions from surplus" (Class C, account No. 195). The discount and premium accounts referred to in section 6, "Discount and premium on capital stock," and section 7, "Discount, expense and premium on funded debt," in the Uniform System of Accounts (Class C, accounts Nos. 150 and 190), are provided only for the initial sales of securities and are not applicable to the class of transaction under consideration.

CASE 94.

Query. What should be the accounting for funds on deposit with a bank which has failed?

Answer. Pending the determination of the actual loss, such amounts shall be carried in account No. 136, "Other suspense" (Class C, account No. 150). When determined, the amount lost shall be charged to account No. 675, "Other general expenses" (Class C, No. 680); amounts recovered thereafter shall be credited to account No. 675 (Class C, No. 680).

CASE 95.

Query. What should be the accounting for amounts billed subscribers under the following conditions:

(1) When the bill is rendered in gross amount and a discount allowed for payment within a specified period.

(2) When the bill is rendered in net amount and an additional amount is charged to subscribers who do not make settlement within a specified period.

Answer. (1) Either the gross or net amount of the bills may be recorded on the subscribers' ledger at the time the bills are rendered.

(a) If the gross amount of the bills is recorded on the subscribers' ledger, such discounts as are taken by subscribers shall be credited to their accounts and charged to account No. 500, "Subscribers' station revenues" (Class C, account No. 500), or other account to which the gross amount of the bill was previously credited.

(b) If the net amount of the bills is recorded on the subscribers' ledger, discounts neglected shall be entered against the appropriate subscribers' accounts at the end of the discount period and credited to account No. 500, "Subscribers' station revenues" (Class C, account No. 500), or other account to which the net amount of the bill was previously credited.

(2) The net amount of the bill shall be recorded on the subscribers' ledger. When the specified time for payment expires, the additional amount charged shall be entered against the accounts of such subscribers as have not made settlement and credited to account No. 500, "Subscribers' station revenues" (Class C, account No. 500), or other account to which the net amount of the bill was previously credited.

CASE 96.

Query. The text of Class A and B account No. 304 permits companies to carry a subaccount under account No. 118, "Due from subscribers and agents," comprising a reserve for uncollectible revenue accounts. If this subaccount is kept, should it be closed out at the end of each year or may a balance be carried forward to the succeeding year?

Answer. If this method of accounting for uncollectible operating revenues is followed, there should be carried forward in this subaccount to the succeeding year a balance representing as nearly as possible that proportion which will prove to be uncollectible of the total amount of outstanding bills for operating revenues.

If Class C companies desire to set up a reserve for uncollectible operating revenues, monthly charges should be made to account No. 370, "Miscellaneous charges to income," and concurrent credits to a subaccount under account No. 125, "Due from subscribers and agents." The balance in this subaccount at the end of the year should be treated as provided in the above paragraph. (See Case 97.)

CASE 97.

Query. What should be the accounting for operating revenues charged off as uncollectible but recovered later upon resumption of service or otherwise?

Answer. Credit the subaccount comprising the reserve for uncollectible accounts under account No. 118, "Due from subscribers and agents" (Class C, accounts No. 125), if such subaccount is kept; otherwise credit account No. 304, "Uncollectible operating revenues" (Class C, account No. 370). (See Case 96.)

CASE 98.

Query. To what account should be charged permit fees paid to municipalities, counties, and other governmental bodies in connection with the initial location of poles or conduits?

Answer. Account No. 207, "Right of way" (Class C, accounts Nos. 240 or 250, as may be appropriate).

CASE 99.

Query. To what account should be credited amounts received from other telephone companies as compensation for the terminal handling of toll messages?

Answer. Account No. 510, "Message Tolls" (Class C, account No. 510). In general, message toll revenue includes (1) the revenue from messages transmitted entirely over the company's own toll lines, (2) the company's proportion of revenue (usually termed "prorate" or "mileage") from messages transmitted partly over the company's own toll lines and partly over the toll lines of other companies, (3) amounts received as compensation for switching messages between the toll lines of other companies, and (4) commissions or amounts representing a division of revenue received as compensation for originating or terminating toll messages of other companies.

CASE 100.

Query. What should be the accounting for slugs, etc., and for counterfeit or mutilated coins collected from coin box stations?

Answer. Any necessary adjustment for such items shall be made through the Operating Revenue accounts since these shall include in such cases only the face value of the legal tender coin collected.

CASE 101.

Query. To what account should be charged amounts paid subscribers for directory or traffic service errors affecting telephone service?

Answer. Abatements of charges billed subscribers when allowed for directory or traffic service errors affecting telephone service shall be charged to the operating revenue account or accounts previously credited with respect to the particular service. (See sec. 19, p. 60, for Class A and B companies; accounts 500 and 510 for Class C companies.) Any additional payments resulting from such errors shall be charged to account No. 669, "Accidents and damages" (Class C, account No. 680).

CASE 102.

Query. To what account should be charged amounts paid in connection with errors in directory advertising?

Answer. Abatements of charges allowed for directory advertising errors shall be charged to account No. 523, "Advertising and directory" (Class C, account No. 520). Any additional payments resulting from such errors shall be charged to account No. 689, "Accidents and damages" (Class C, account No. 680).

CASE 103.

Query. What should be the accounting when telephone service is given at other than standard rates?

Answer. (1) If given to employees, ministers, charitable institutions, etc., credit the revenue accounts with the actual amounts, if any, charged for the service. No adjustment shall be made between the revenue and other accounts for the reduction from standard rates.

(2) If given in accordance with specific franchise requirements, including service given to municipalities for right of way, pole location, etc., charge the standard rates for such service to account No. 673, "Telephone franchise requirements" and credit similar amounts to account No. 676, "Telephone franchise requirements—Cr." (Class C, companies shall not include such items in either the revenue or expense accounts). (See Case 42.)

(3) If given for specific return other than to municipalities, e. g., for rights of way, advertising, etc., credit the revenue accounts at the standard rates for such service. Any reduction from standard rates shall be charged to the appropriate expense or income deduction account.

CASE 104.

Query. To what accounts should the exchange revenue from hotel or department store contracts and from guarantee coin box exchange service be credited?

Answer. 1. When such service is established specifically for general public use, the revenue shall be credited to account No. 501, "Public pay station revenues" (Class C, account No. 500) as follows:

(a) The total amount of the exchange service revenue billed under contract, or the amount collected with respect to exchange service from the coin box if equal to or in excess of the guarantee. Any commission or amount retained by or paid to the guarantor shall be charged account No. 648, "Pay station commissions" (Class C, account No. 680).

(b) The full amount of the guarantee if the amount collected from the coin box with respect to exchange service is less than the guarantee.

(2) When such service is not established specifically for general public use, the exchange service revenue billed or the full amount of the guarantee, plus whatever net additional amount is due the telephone company, shall be credited to account No. 500, "Subscribers' station revenues" (Class C, account No. 500).

(3) In exceptional cases when a telephone system, owned by a hotel, store, or other establishment, receives central-office service from the company, the revenue shall be credited to account No. 503, "Service stations" (Class C, account No. 500).

CASE 105.

Query. What is the proper accounting for messenger service receipts and disbursements which are incident to delivering messages and notifying persons of calls at telephone stations?

Answer. Messenger service revenue from subscribers and other telephone companies shall be credited to account No. 520, "Messenger service" (Class C, account No. 520).

The salaries paid to messengers who are in the company's employ shall be charged to account No. 630, "Messenger service" (Class C, account No. 630). Amounts paid to messengers who are not in the company's employ and amounts collected for and paid to other telephone companies for messenger service shall be charged to account No. 520, "Messenger service" (Class C, account No. 520).

CASE 106.

Query. To what account should be credited the rent received for rooms leased to the local manager for personal (nonofficial) use in a building rented by the telephone company for central office purposes?

Answer. Account No. 505, "Minor rents of exchange plant" (Class C, account No. 500) if building is used by the company exclusively for exchange purposes, to account No. 515, "Minor rents of toll plant" (Class C, account No. 510) if building is used exclusively for toll purposes, or to account No. 524, "Rents from other operating property" (Class C, account No. 520) if building is used for both exchange and toll purposes.

CASE 107.

Query. To what account should be credited unclaimed refunds on telephone service?

Answer. Account No. 525, "Other miscellaneous revenue" (Class C, account No. 520).

CASE 108.

Query. To what account should be credited unclaimed subscribers' deposits, dividends, and wages?

Answer. Such items should be carried under the appropriate accounts payable until the expiration of the company's liability. At the end of a fiscal year, or more frequently if advisable, items which have been carried for the required period shall be credited to account No. 401, "Miscellaneous additions to surplus" (Class C, account No. 195).

CASE 109.

Query. To what account should be credited revenue received from "battery taps," i. e., electrical power furnished others from the central office batteries?

Answer. Account No. 525, "Other miscellaneous revenue" (Class C, account No. 520).

CASE 110.

Query. When the duties of employees are varied and a small amount of time is spent on each duty, thus affecting a number of accounts, is it required that their pay and expense be distributed on the basis of the actual time spent?

Answer. The pay and expenses of employees shall be distributed to the accounts as nearly as may be possible on basis of the time actually spent on each class of work. However, if the time is so split up as to make such a distribution impracticable, and if the employee does the same classes of work from day to day, his pay and expenses may be distributed by the use of percentages based on a study of the time actually spent in a representative period, such percentages being corrected from time to time as the facts warrant.

CASE 111.

Query. When one department performs services or prepares data for another department, should any transfer of expense be made in the accounts?

Answer. When, in the ordinary conduct of business, it is necessary that one department perform services for or furnish data to another department, no transfer of expense is required.

Where the employees of one department perform an extensive service which is the function of another department, the expense shall be transferred to such department and charged to the accounts affected; but no transfer of expense is required to be made for incidental services performed for one department by another. For example, if the traffic department rates and sorts toll tickets, makes check ledger entries, and prepares reports to facilitate the work of the department performing the function of revenue accounting, such service being incidental to the work of the traffic department, the expense may be borne by the traffic department.

CASE 112.

Query. To what account should be charged the pay and expenses of managers at small exchanges who are engaged in constructing and maintaining the plant and in traffic and commercial operations?

Answer. Construction and maintenance costs shall be charged to the appropriate fixed capital (plant and equipment) and maintenance accounts, respectively, and the remainder shall be distributed to the appropriate traffic and commercial expense accounts. If it is impracticable to distribute the charges to the traffic and commercial expense accounts on the basis of actual time spent, the distribution may be made on a percentage basis.

CASE 113.

Query. To what account should be charged the commissions paid to exchange agents or managers in lieu of salary, operating expenses, etc.?

Answer. Any construction or maintenance costs having been first deducted and charged to appropriate accounts, the remainder shall be divided between Traffic and Commercial Expenses by means of percentages agreed upon by these departments. Class C companies, after charging construction and maintenance accounts according to fact, shall charge the remainder to account No. 670, "General office salaries."

CASE 114.

Query. To what account should be charged the pay and expenses of foremen and subforemen of repair gangs?

Answer. Their pay and expenses shall be distributed over the various maintenance accounts in the same manner as that of employees under their supervision. The repair accounts shall include the cost of direct supervision such as that of the foremen and subforemen while the cost of general maintenance supervision such as that of the general, divisional, and district plant superintendents shall be charged to account No. 601, "Supervision of maintenance" (Class C, account No. 670).

CASE 115.

Query. To what account should be charged the pay and expenses of troublemen engaged to some extent in traffic work?

Answer. The pay and expenses of troublemen shall be distributed to the several maintenance, traffic, or other accounts involved in their work. (*See Cases 110 and 111.*)

CASE 116.

Query. To what account should be charged the pay and expenses of wire chiefs?

Answer. The pay and expenses of wire chiefs shall be distributed to the several maintenance, traffic, or other accounts involved in their work. (*See Cases 110 and 111.*)

CASE 117.

Query. Must specific authorization be obtained from the Interstate Commerce Commission whenever it is desired to spread over a period large items of expense due to judgments, fires, accidents, strikes, etc.?

Answer. Such items may be spread over two or more months of a single calendar year without specific authority from the Commission.

If Class A and B companies desire to extend into the succeeding year charges provided for in section 24, page 68, of the Uniform System of Accounts, and if Class C companies desire to spread similar expense over succeeding years, special authorization must be obtained.

CASE 118.

Query. What should be the accounting for additional pay allowed employees for loyal service and overtime work during a strike?

Answer. Charge the accounts to which the regular pay of the employees is chargeable.

CASE 119.

Query. A company is required by a city ordinance to cut and replace overhead wires when it is necessary to move a building across or along the street. To what account shall such expense be charged?

Answer. Account No. 602, "Repairs of aerial plant" (Class C, account No. 600).

CASE 120.

Query. What should be the accounting for the expense of making changes at cable terminals on account of changing service from one-party to two-party lines, or vice versa, and on account of reassociation of party lines?

Answer. Charge account No. 602, "Repairs of aerial plant" (Class C, account No. 600) or account No. 605, "Repairs of station equipment" (Class C, account No. 610) according to the class of wire worked upon.

CASE 121.

Query. A franchise granted by a municipality requires that the company shall, when so required by the city engineer, change its pole line to conform to curb and grade lines established by the city. Should the cost of this work be charged to account No. 673, "Telephone franchise requirements"?

Answer. No. If substitution of new plant for existing plant is not involved, charge account No. 602, "Repairs of aerial plant" (Class C, No. 600), unless the expense is relatively large and provision therefor has been made in the depreciation reserve, in which case treat as "extraordinary repairs" (Class C, "reconstruction").

If substitution of new plant for existing plant is involved, the substitution not amounting to a practical replacement, treat as "extraordinary repairs" (Class C, "reconstruction"). Otherwise, treat through the plant accounts, i. e., credit the appropriate plant accounts with the cost of the property retired and charge the appropriate plant accounts with the cost of the new property.

CASE 122.

Query. What should be the accounting when, in connection with street or roadway improvements, a telephone company is required to move its pole line at its expense?

Answer. If substitution of new plant for existing plant is not involved, charge account No. 602, "Repairs of aerial plant" (Class C, No. 600), unless the expense is relatively large and provision therefor has been made in the depreciation reserve, in which case treat as "extraordinary repairs" (Class C, "reconstruction").

If substitution of new plant for existing plant is involved, the substitution not amounting to a practical replacement, treat as "extraordinary repairs" (Class C, "reconstruction"). Otherwise, treat through the plant accounts, i. e., credit the appropriate plant accounts with the cost of the property retired and charge the appropriate plant accounts with the cost of the new property.

CASE 123.

Query. To what account should be charged the expense of pole butt reinforcements to make good the deterioration of the pole?

Answer. Ordinarily, this work should be classed as ordinary repairs and the cost thereof charged to the primary repair accounts. However, if provision for such work has been made in the depreciation reserve, the work should be treated by Class A and B companies as "extraordinary repairs," and by Class C companies as "reconstruction."

CASE 124.

Query. What should be the accounting for the following items in connection with schools conducted by the company for the instruction of plant department employees?

- (1) Equipment installed and used in such schools.
- (2) Maintenance of above (if done independently of school work).
- (3) Salaries of men during attendance.
- (4) Salaries and expenses of instructors, materials consumed in connection with such work, rent, and house service, etc.

Answer. (1) Charge the fixed capital (or plant and equipment) accounts for the classes of plant involved.

(2) Charge the maintenance accounts for the classes of plant involved.

(3) Consider as nonproductive time and distribute over productive time of the men engaged on the kinds of work covered by the school; e. g., time of the men studying the work of an installer should be distributed over productive time of the installation force.

(4) Apportion, on an equitable percentage basis, to the accounts covering the several types of work covered by the school.

CASE 125.

Query. To what account should be charged the pay and expenses of students while engaged in learning the work of switchmen in automatic central offices?

Answer. Account No. 604, "Repairs of central office equipment" (Class C, account No. 610).

CASE 126.

Query. To what account should be charged the expense of temporarily disconnecting subscribers' lines in the central office for periods of nonuse or because of nonpayment of bills?

Answer. Account No. 604, "Repairs of central office equipment" (Class C, account No. 610).

CASE 127.

Query. To what account should be charged the wages of switchmen in automatic central offices?

Answer. Account No. 604, "Repairs of central office equipment" (Class C, account No. 610), except for time spent in operating the power plant, which should be charged account No. 628, "Transmission power" (Class C, account No. 660).

CASE 128.

Query. What should be the accounting when a component part of a station (not a complete station) is replaced; e. g., when occasionally a desk set or bell is substituted for one worn out or requiring repairs?

Answer. The substitution of a component part of a station set being a minor replacement as defined in section 21, page 66, of the Uniform System of Accounts (Class C, sec. 14, p. 12) the cost thereof shall be charged to account No. 605, "Repairs of station equipment" (Class C, account No. 610). The part removed shall be credited to account No. 605 (Class C, No. 610) at salvage value.

CASE 129.

Query. To what account should be charged repairs to rented buildings made by the accounting company?

Answer. Account No. 606, "Repairs of buildings and grounds" (Class C, account No. 640), unless the rent paid for the building is charged to one of the clearing accounts (Class A and B accounts Nos. 701 to 706), in which case the repairs should be charged to the same clearing account.

CASE 130.

Query. A plant employee is sent to disconnect a subscriber's station because of nonpayment for service. To what account should the expense be charged if the work of disconnecting is abandoned because of the payment of the bill?

Answer. Account No. 607, "Station removals and changes" (Class C, account No. 620).

CASE 131.

Query. Should the text of account No. 610, "Other maintenance expenses" (Class C, account No. 640) be interpreted as excluding expenses incurred by the plant department which are not in the nature of "repairs" to telephone plant and equipment?

Answer. No. Miscellaneous items of maintenance and operating expense incurred by the plant department which are not chargeable to maintenance accounts Nos. 601 to 609, inclusive, and clearing accounts Nos. 701 to 707, inclusive (Class C, accounts Nos. 600, 610, and 620), may be charged to account No. 610 (Class C, account No. 640). (See Case 111.)

CASE 132.

Query. When material fit to use again has been taken out of plant and charged to the materials and supplies accounts at the original cost, estimated if not known, or at the price of corresponding new material, what should be the accounting for repairing (not converting) such material?

Answer. Charge the expense of repairs made thereon to the repair accounts which would have been charged had the repairs been made while the material was in actual service. Only items involving expense due to causes defined as depreciation and so large as to distort the ordinary repair accounts shall be treated as "extraordinary repairs" by Class A and B companies (sec. 21, p. 66, of the Uniform System of Accounts) and as "reconstruction" by Class C companies (see sec. 12, p. 11, of the Uniform System of Accounts).

CASE 133.

Query. What should be the accounting for the expense of repairs to used office furniture and fixtures carried in the materials and supplies accounts?

Answer. (1) If the used furniture and fixtures had been charged to the materials and supplies account at salvage value, the cost of the repairs shall be charged to account No. 122, "Materials and supplies" (Class C, account No. 135).

(2) If the used furniture and fixtures had been charged to materials and supplies account at the original cost, or at the price of corresponding new material, the cost of repairs shall be charged to the expense accounts which would have been charged had the repairs been made while the furniture and fixtures were in actual service, except in cases where provision has been made for such expense in the depreciation reserve, Class A and B companies shall treat the matter as "extraordinary repairs" and Class C companies as "reconstruction" (see sec. 21, p. 66, of the Uniform System of Accounts for Class A and B companies and sec. 12, p. 11, for Class C companies). (See Case 52.)

CASE 134.

Query. What should be the accounting for the cost of repairs to connecting companies' and to farmers' lines when the work is done and the expense is borne by the accounting company?

Answer. Charge the appropriate repair accounts of the accounting company according to the class of plant worked upon.

CASE 135.

Query. To what account should be charged the expense of moving an employee from one location to another when transferred by the telephone company and the expense is assumed by it?

Answer. Charge the account to which traveling expenses of the employee in the new location would be charged.

CASE 136.

Query. To what account should be charged the cost of figuring rates and the expense of issuing tariff and route books?

Answer. The expense of figuring the rates and preparing the data shall be apportioned between account No. 621, "Traffic superintendence," and account No. 640, "Commercial administration," according to work performed (Class C, charge account No. 670).

The expense of printing and distributing shall be apportioned between account No. 629, "Central office stationery and printing," and account No. 640, "Commercial administration," on an equitable basis (Class C, accounts Nos. 660 and 680).

CASE 137.

Query. To what account should be charged the expenses incurred by the traffic inspectors in making test calls, adjusting service complaints, inspecting subscribers' private branch exchanges and instructing subscribers' private branch exchange operators?

Answer. Account No. 622, "Service inspection" (Class C, account No. 660). Cash refunded to patrons and amounts deposited in making test calls by inspectors and other employees of the company should not be charged to this account but should be charged to the revenue accounts.

CASE 138.

Query. To what account should be charged the expense incurred by the traffic department in reading meters installed on measured service lines?

Answer. Account No. 623, "Clerical operating wages" (Class C, account No. 660).

CASE 139.

Query. What should be the accounting for the pay of operators furnished lessees of private branch exchanges and for the amounts received for such services?

Answer. Charge the pay of the operators to account No. 624, "Operators' wages" (Class C, account No. 650).

If the operators are regularly employed by the telephone company, credit the payments from subscribers for the services of the operators to account No. 525, "Other miscellaneous revenues" (Class C, account No. 520). If the operators are not regularly employed by the telephone company, credit the reimbursement to account No. 624, "Operators' wages" (Class C, account No. 650).

CASE 140.

Query. To what account should be charged the pay and expenses of wire chiefs when working on Morse leased lines in central offices?

Answer. Charge the accounts otherwise charged with the pay and expenses of wire chiefs unless considerable time is involved, in which case charge account No. 624, "Operators' wages" (Class C, account No. 650).

CASE 141.

Query. When a telephone company operates a private-branch exchange for company (official) business, should any transfer be made from traffic expenses to the expense accounts of the departments served?

Answer. No. The cost of operating such private branch exchanges shall be charged to the various accounts under traffic expenses.

CASE 142.

Query. Should any portion of supply expense and plant supervision expense be applied on plant department charges to Class A and B, account No. 628, "Transmission power," and account No. 673, "Telephone franchise requirements?"

Answer. Yes. The appropriate portion of such expenses may be charged to account No. 628 and account No. 673 in the usual manner.

CASE 143.

Query. To what account should be charged amounts refunded to connecting companies for postage on toll tickets and reports forwarded?

Answer. Account No. 629, "Central office stationery and printing" (Class C, account No. 660).

CASE 144.

Query. To what account should be charged the cost (i. e., postage and other transportation charges) of forwarding toll tickets:

- (1) From central offices to revenue accounting offices.
- (2) From revenue accounting offices to local collection offices.

Answer. (1) Account No. 629, "Central office stationery and printing" (Class C, No. 660).

- (2) Account No. 646, "Revenue accounting" (Class C, No. 680).

CASE 145.

Query. To what account should be charged the cost of covers, chains, and locks used in connection with directories at pay stations?

Answer. Account No. 632, "Pay station expenses" (Class C, account No. 660).

CASE 146.

Query. What is the general distinction between items of expense account of pay stations which are chargeable to account No. 632, "Pay station expenses" (Class C, account No. 660), and those which are chargeable to account No. 648, "Pay station commissions" (Class C, account No. 680)?

Answer. Account No. 632, "Pay station expenses" (Class C, No. 660), shall be charged only with the costs of *specific items* of traffic expense, such as are classable under that account. Items chargeable to this account usually occur in connection with pay stations which are attended by a company employee or by a joint employee, and should be stated as flat sums rather than as percentages on receipts.

Account No. 648, "Pay station commissions" (Class C, No. 680) shall be charged with all percentages of receipts, or flat amounts deducted from receipts, or other specified sums, which are paid either to the agent in charge (usually not a salaried employee of the company) or to the person, individual, corporation, or other, upon whose premises the public pay station is located, as *general*

compensation for all that is furnished with respect to this station, i. e., space, light, heat, attendance, incidental advertising, etc.

When the classification is doubtful, the expense shall be charged to account No. 648, "Pay station commissions" (Class C, No. 680).

CASE 147.

Query. What should be the accounting for the cost of stationery and printing used by the commercial department?

Answer. This expense should be apportioned on the basis of use to the several accounts under "Commercial expenses" (Class C, account No. 680).

CASE 148.

Query. When a telephone company, instead of providing its own switchboard and switchboard operator, terminates its toll lines in the switchboard of another telephone company and arranges to have the latter do the necessary operating, what should be the accounting if the charges for such services are on a flat sum basis (not on a division of revenue)?

Answer. The company receiving the service shall charge account No. 633, "Other traffic expenses" (Class C, account No. 680).

If services are billed at cost, the company performing the service shall credit the appropriate operating or other accounts previously charged; if not billed at cost, it should credit account No. 525, "Other miscellaneous revenue" (Class C, account No. 520).

CASE 149.

Query. To what account should be charged (1) miscellaneous contributions, and (2) related expense, such as decorating buildings or furnishing floats on holiday occasions?

Answer. (1) If contributions are made for the purpose of developing traffic, for example, expenses incurred in connection with an industrial exposition or other business occasion, charge account No. 642, "Advertising" (Class C, account No. 680). If contributions are made without regard to traffic but incidentally for the benefit of the operations of the company, such as those to local fire departments, business leagues, Y. M. C. A., and similar institutions charge the appropriate expense account of the department concerned; or, if impossible of allocation, charge account No. 675, "Other general expenses" (Class C, account No. 680).

(2) Expenditures such as those for decorating buildings and furnishing floats on holiday occasions, except when incurred for traffic purposes and, therefore, chargeable to account No. 642, "Advertising" (Class C, account No. 680) should be departmentalized as far as possible. Items so general in character as not to admit of departmentalization should be charged to account No. 675, "Other general expenses" (Class C, account No. 680). (*See Case 111.*)

CASE 150.

Query. To what account should be charged the salaries and expenses of auditors of receipts and their clerks and division auditors of receipts and their clerks?

Answer. Account No. 646, "Revenue accounting" (Class C, account No. 670).

CASE 151.

Query. To what account should be charged the cost of postage used in mailing bills to subscribers?

Answer. Account No. 647, "Revenue collecting" (Class C, account No. 680).

CASE 152.

Query. To what account should be charged the cost of special editions of directories, or parts of directories, for use by the traffic department?

Answer. Account No. 649, "Directory expenses" (Class C, account No. 680) or treat through account No. 132, "Prepaid directory expense" (Class C, account No. 145).

CASE 153.

Query. To what account should be credited amounts received from the sale of new directories or as salvage on old directories?

Answer. Credit receipts from sales of directories to account No. 523, "Advertising and directory" (Class C, account No. 520), and from salvage to account No. 649, "Directory expenses" (Class C, account No. 680).

CASE 154.

Query. To what account should be charged losses incurred by reason of shortage in a local manager's account in excess of the amount paid on his bond by the surety company?

Answer. Account No. 640, "Commercial administration" (Class C, account No. 680).

CASE 155.

Query. To what account should be charged the pay of a general manager or superintendent having supervision of the entire operations of the company?

Answer. Account No. 661, "Salaries of general officers" (Class C, account No. 670).

CASE 156.

Query. What account should be charged with the expense of a board of arbitrators on subscribers' rates?

Answer. Account No. 650, "Other commercial expenses" (Class C, account No. 680).

CASE 157.

Query. To what account shall be charged the expense of compiling data and making reports to the Federal Government, public-service commissions, tax authorities, and others, and of testifying before such bodies?

Answer. The expense shall be charged to the accounts otherwise charged with the pay and expenses of the employees who prepare the reports or testify before such bodies. For example, if the reports are prepared by the general office clerks, the expense of preparing should be charged to account No. 662, "Salaries of general office clerks" (Class C, account No. 670); if the data regarding plant are prepared by the plant forces, the expense should be charged to account No. 601, "Supervision of maintenance," or account No. 706, "Plant supervision expense" (Class C, account No. 640); if the passing of tax claims, filing tax reports, and making returns to tax assessors are handled by the legal department, the expense should be charged to account No. 667, "General law expenses" (Class C, account No. 670).

CASE 158.

Query. To what account should be charged allowances and expenses of receivers operating a telephone company under orders of the court?

Answer. Account No. 661, "Salaries of general officers" (Class C, No. 670), and account No. 663, "General office supplies and expenses" (Class C, account No. 680), except that expenses incurred for legal services shall be charged to account No. 667, "General law expenses" (Class C, account No. 680).

CASE 159.

Query. Is any accounting distinction to be made between monthly or other periodic payments to attorneys regularly retained by the company and those retained for specific services?

Answer. No. Both the periodic payments to attorneys regularly retained by the company and the payments to and expenses of attorneys retained for specific services shall be charged to account No. 667, "General law expenses," or account No. 670, "Law expenses connected with damages," as may be appropriate (Class C, account No. 680).

CASE 160.

Query. A company elects to protect itself against all losses ordinarily covered by premium insurance, by setting up a reserve for that purpose, but, in order to obtain additional protection, a part or all of the risk is placed with an insurance company. What should be the accounting for the premiums paid to and the recoveries received from the insurance company?

Answer. The amounts set aside as an insurance reserve shall be charged to account No. 668, "Insurance" (Class C, account No. 680), and credited to account No. 169, "Insurance and casualty reserves" (Class C, account No. 180). Premiums paid insurance companies for such reinsurance shall be charged to account No. 169 (Class C, account No. 190) and recoveries from such companies shall be credited to account No. 169 (Class C, account No. 190).

CASE 161.

Query. What should be the accounting for insurance premiums on materials and supplies carried in stock?

Answer. Charge account No. 668, "Insurance" (Class C, account No. 680), with the premiums paid and periodically transfer the portion applicable to construction to the appropriate fixed capital (plant and equipment) accounts or charge to account No. 274, "Miscellaneous construction expenditures" (Class C, account No. 270).

CASE 162.

Query. To what account should be charged the cost of insuring of the continuity or regularity of revenues or earnings, i. e., "use-and-occupancy insurance"?

Answer. Account No. 668, "Insurance" (Class C, account No. 680).

CASE 163.

Query. To what account should be charged the premium paid on a judicial bond necessary in connection with the appeal of a personal-injury or damage case?

Answer. Account No. 670, "Law expenses connected with damages" (Class C, account No. 680).

CASE 164.

Query. To what account should be charged the premiums on bonds given as follows:

(1) To municipalities under the general terms of a franchise or ordinance and not in connection with specific construction or maintenance work.

(2) To municipalities or property owners in connection with specific pieces of construction or maintenance work.

Answer. (1) Account No. 678, "Telephone franchise requirements" (Class C, account No. 680).

(2) The appropriate construction or maintenance accounts according to the nature of the work.

CASE 165.

Query. To what account should be charged the expense of publishing a company newspaper or other journal?

Answer. Account No. 675, "Other general expenses" (Class C, account No. 680), unless published in the interest of a specific department, in which case charge the operating expense account pertaining to that department. Receipts from subscriptions and from the sale of advertising space in such journals shall be credited account No. 675 (Class C, No. 680) or the other account to which the cost of publishing was charged.

CASE 166.

Query. May the cost of patents be charged by Class A and B companies direct to account No. 674, "Amortization of franchises and patents," instead of to account No. 203, "Patent rights," and amortized through charges to account No. 674?

Answer. Charges to account No. 674, "Amortization of franchises and patents," on account of patents should be restricted to amounts necessary to cover such portion of the life of patents charged to account No. 203, "Patent rights," as it is estimated has expired or been consumed.

The character of a patent purchased should determine whether or not the cost, or any portion thereof, should be charged to account No. 203, "Patent rights." Any amounts paid for patents having an estimated service life of less than one year, patents of doubtful service value, patents in an undeveloped state, patents acquired at small cost, and similar expenditures on account of patents may be charged direct to account No. 675, "Other general expenses."

CASE 167.

Query. To what account should be charged the cost of a general audit of a company's books by an audit company?

Answer. Account No. 675, "Other general expenses" (Class C, account No. 680).

CASE 168.

Query. To what account should be charged the cost of printing franks for the use of officers and employees of the company?

Answer. Account No. 675, "Other general expenses" (Class C, account No. 680).

CASE 169.

Query. A pay check fell into the hands of an unauthorized party, who secured payment by use of a forged signature. The company was unable to effect collection from the bank paying the check, or from the person forging the same. To what account should the loss be charged?

Answer. Account No. 675, "Other general expenses" (Class C, account No. 680).

CASE 170.

Query. An agent of the company received a summons garnisheeing the wages of an employee. On account of delay incident to notifying the legal department, the employee succeeded in drawing his pay and the company was obliged to make good the amount of the claim. To what account should the loss be charged?

Answer. Charge the appropriate account of the department responsible for the delay.

CASE 171.

Query. To what account should be charged the cost of first-aid kits and renewals of same?

Answer. When such expense is incurred primarily for the plant department, charge account No. 706, "Plant supervision expense"; otherwise, charge the appropriate expense accounts of the departments in whose interests the costs are incurred.

CASE 172.

Query. To what account should be charged the cost of inventories and appraisals of plant?

Answer. Inventories and appraisals should be treated in the accounts as follows:

(1) Those taken incident to the ascertainment of a general valuation of the property owned or used by the company, including those taken in accordance with the Act to regulate commerce, or with other similar Federal or State requirements; charge to account No. 675, "Other general expenses," preferably in a subaccount entitled "Valuation expenses" (Class C, account No. 680). This ruling does not modify the provisions relating to betterments contained in section 9, page 82, of the Uniform System of Accounts for Class A and Class B Companies.

(2) Those taken on the orders of public authorities for other purposes such as for use in rate cases, or for the purpose of adjusting rate schedules; charge the cost to account No. 675, "Other general expenses" (Class C, account No. 680).

(3) Those taken in connection with the projected purchase of property; charge account No. 136, "Other suspense" (Class C, account No. 150), pending their final disposition. If the property is finally purchased, the cost should be considered as part of the price paid and charged to the appropriate asset account. If the property is not purchased, the cost shall be charged to account No. 417, "Other deductions from surplus" (Class C, account No. 195).

(4) Those taken in connection with the projected sale or lease of property to others; charge account No. 136 (Class C, No. 150), pending their final disposition. If the property is finally leased, charge the account appropriate for rent. If the property is sold and the selling price includes the cost of appraisal, such cost shall be considered a part of the sale price. If the project is finally abandoned, or if the property is sold, but the selling cost does not include the cost of appraisal, the cost of appraisal shall be charged to account No. 417 (Class C, No. 195).

No amounts shall be included in the cost of inventories and appraisals for incidental services of officers and employees; but special office, clerical, traveling, and incidental expenses incurred by such officers and employees may be included.

CASE 173.

Query. What should be the accounting for expenses incurred by the plant department in inspecting for and in checking the attachments of other companies to the pole lines of the accounting company?

Answer. Charge account No. 610, "Other maintenance expenses" (Class C, account No. 640), or if performed incident to other work, charge the accounts otherwise charged with the pay and expenses of the employees who perform the services.

CASE 174.

Query. To what account should be charged expenses on account of associations maintained by and in behalf of telephone companies?

Answer. The salaries and expenses of the officers representing the company as members of the associations shall be charged to the accounts to which the salaries and expenses of such officers are chargeable in connection with the operation of the telephone plant. Amounts paid incident to the maintenance of such associations shall be charged to account No. 675, "Other general expenses" (Class C, account No. 680).

CASE 175.

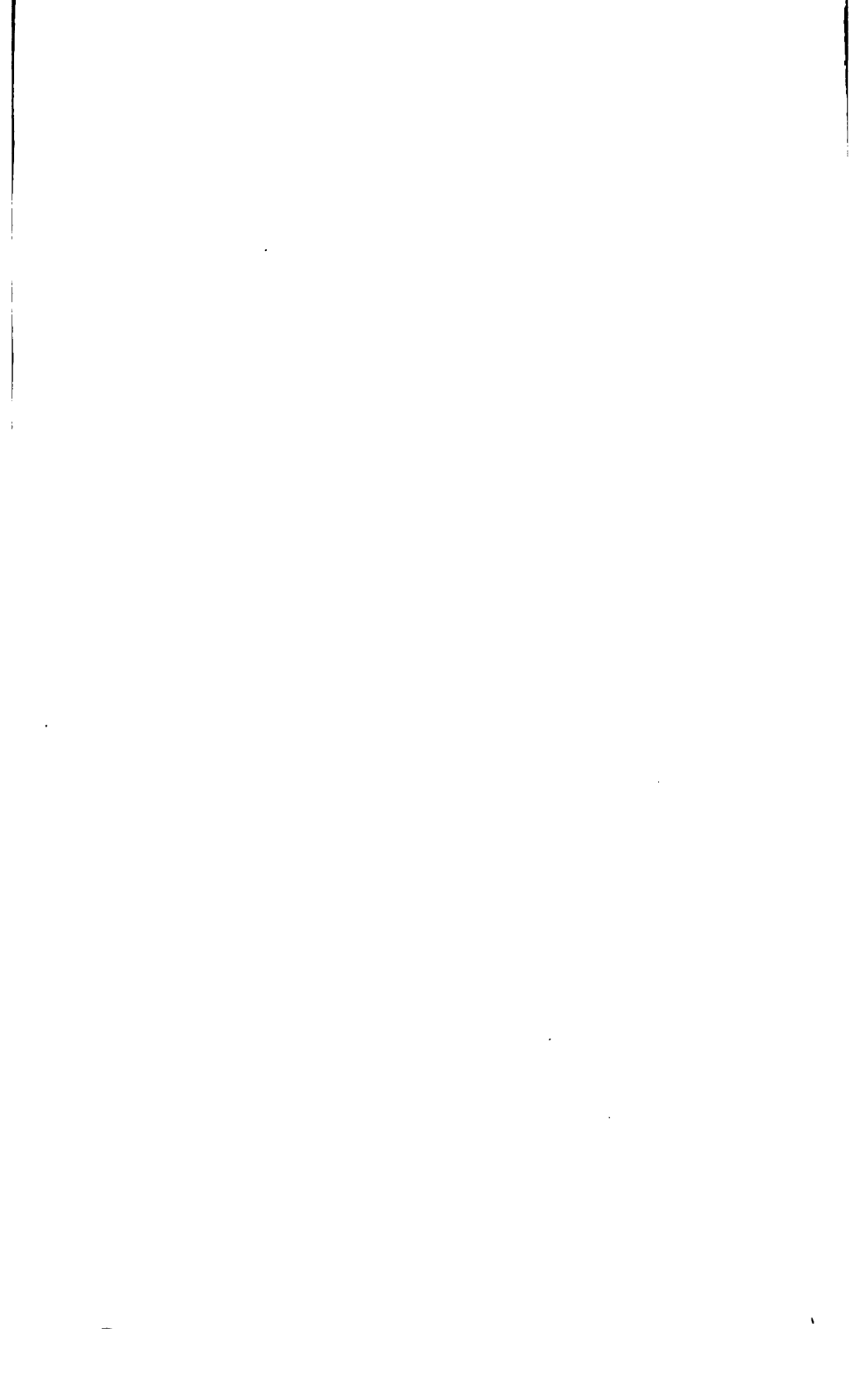
Query. What should be the accounting for the expense of overhauling and repairing of motor trucks and like equipment?

Answer. The customary annual overhauling of such apparatus shall be charged to account No. 702, "Stable and garage expense," and cleared as provided in the text of that account. Work of less frequent occurrence or involving such reconstruction items as replacing the engine may be handled as "extraordinary repairs," if the reserve has been provided for such expenses. Class C companies shall charge this expense to account No. 640, "Other maintenance expenses."

CASE 176.

Query. To what account should be charged rent of land used for storage of material for use in construction and maintenance work?

Answer. Account No. 704, "Supply expense," and cleared as provided in the text of that account. Class C companies shall distribute on an equitable basis between account No. 640, "Other maintenance expenses," and account No. 270, "Undistributed construction expenditures."



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INTERPRETATIONS
OF
ACCOUNTING CLASSIFICATIONS
PRESCRIBED BY THE
INTERSTATE COMMERCE COMMISSION
FOR
CARRIERS BY WATER
IN ACCORDANCE WITH SECTION 20 OF THE
ACT TO REGULATE COMMERCE

Effective on February 1, 1917



WASHINGTON
GOVERNMENT PRINTING OFFICE
1917



ORDER.

At a General Session of the INTERSTATE COMMERCE COMMISSION, held at its office in Washington, D. C., on the 19th day of January, A. D. 1917.

The subject of a uniform system of accounts to be prescribed for and kept by carriers being under consideration, the following order was entered:

It is ordered, That the interpretations of the accounting classifications for carriers by water, prepared under the direction of this Commission and embodied in printed form to be hereafter known as Accounting Bulletin No. 12, a copy of which is now before this Commission, be, and the same is hereby, approved; that a copy thereof duly authenticated by the secretary of the Commission be filed in its archives, and a second copy thereof, in like manner authenticated, in the office of the Division of Carriers' Accounts; and that each of said copies so authenticated and filed shall be deemed an original record thereof.

It is further ordered, That the accounting methods directed in the interpretations contained in the said Accounting Bulletin No. 12 be, and they are hereby, prescribed for the use of carriers by water subject to the provisions of the act to regulate commerce, as amended, in the keeping and recording of their accounts.

It is further ordered, That February 1, 1917, be, and it is hereby, fixed as the date on which the said Accounting Bulletin No. 12 shall become effective.

By the Commission.

[SEAL.]

GEORGE B. MCGINTY,
Secretary.



INTRODUCTORY LETTER.

INTERSTATE COMMERCE COMMISSION,
DIVISION OF CARRIERS' ACCOUNTS,
Washington, January 19, 1917.

To Water Line Accounting Officers:

This circular contains answers to various accounting questions raised under classifications for carriers by water issued by the Interstate Commerce Commission. The cases contained herein are those which are regarded as important for the reason that they make clearer the meaning and application of the text descriptive of the primary accounts of the several classifications.

In the preparation of this bulletin the Commission has had the cooperation of a committee representing the Association of Water Line Accounting Officers.

FRED W. SWENEY,
Chief Examiner of Accounts.

INTERSTATE COMMERCE COMMISSION ACCOUNTING BULLETIN NO. 12.

QUESTIONS AND ANSWERS.

CASE 1.

Query. Is it essential that books be written up monthly?

Answer. Accounts shall be written up monthly.

CASE 2.

Query. In adjusting material accounts to the basis of inventory, what account or accounts shall be credited or debited?

Answer. Determined differences in the balances representing important classes of material are ordinarily assignable to errors or discrepancies in the debits or credits to the particular accounts affected since the last inventory and shall be adjusted accordingly. Other differences shall be apportioned among the primary accounts on the basis of the net charges to such accounts for material since the last inventory. (*See Case 7.*)

CASE 3.

Query. What accounts shall be charged with the loss on obsolete material which is taken out of stock and sold as scrap?

Answer. Such loss shall be charged to the operating expense accounts to which the material ordinarily would be charged if issued for use.

CASE 4.

Query. How shall a carrier dispose of amounts allowed for loyal service of employees during a strike?

Answer. Such allowances shall be charged to the same accounts as the regular pay of such employees. (*See Case 67.*)

CASE 5.

Query. To what account shall be credited the slight profits accruing from percentages added to bills against other companies and individuals to cover superintendence, use of tools, etc.?

Answer. Such added percentages shall be credited to Operating Expenses.

CASE 6.

Query. To what accounts shall interest paid on material bills be charged and cash and trade discounts be credited?

Answer. Interest shall be included in income. All discount realized on bills for material purchased shall be credited to the account to which is charged the original invoice.

CASE 7.

Query. May the adjustment of material accounts to the basis of inventories be deferred to a period subsequent to the year in which the inventories are taken?

Answer. Such adjustments shall be made in the accounts of the year in which the inventories are taken. (*See Case 2.*)

CASE 8.

Query. To what account shall a carrier charge commissions paid to brokers for the purchase of the securities of other companies?

Answer. The amount of such commissions shall be considered as a part of the cost of the securities purchased.

CASE 9.

Query. Under the provisions of the forfeiture clause in a lease a carrier secured title to a building which had been erected by the lessee upon the carrier's property at a cost of \$3,000. At the time of the foreclosure the lessee owed \$300 for rent. Shall the charges to the carrier's property account to cover the building be based upon the original cost or upon the amount of the rent due?

Answer. The charge to the property account shall be based upon the actual cost of the property to the carrier, including the cost of foreclosure.

CASE 10.

Query. In connection with the application of an improved device to equipment, to what account shall be charged the cost of removing the old and of applying the new device?

Answer. The cost of removing the old and of applying the new device shall be charged to the appropriate repair account.

CASE 11.

Query. To what account should be charged amounts paid for pilotage?

Answer. If the pilot is a member of the crew, his wages shall be included in account WE 25, "Wages of crews."

If the pilot is not a member of the crew, and vessels are required under rules of the port to pay for pilotage, such payments shall be charged to account WE 43, "Other operations of terminals expenses."

CASE 12.

Query. To what account shall be charged fees to physicians for the physical examinations of (a) employees; (b) applicants for employment; (c) prospective passengers?

Answer. (a) To the account to which the pay of the employee is chargeable; (b) to the account to which the pay of the applicant would be chargeable if employed; (c) to account WE 43, "Other operation of terminals expenses."

CASE 13.

Query. Is there any objection to the creation of a reserve to take care of settlements of loss and damage claims filed by shippers of freight? The intention is to make charges of an arbitrary amount, so as to take care of claims of this nature during the period within which the damage is done.

Answer. There is no objection to including in operating expenses each month a proportion of the total amount which it is estimated will be necessary to expend during the year on account of loss and damage claims. These charges shall be adjusted annually to actual disbursements unless a balance remains representing liability for unsettled claims.

CASE 14.

Query. Is it proper to charge the various operating expense accounts for the transportation of employees of various departments?

Answer. No charge shall be made against a company's operating expenses nor shall concurrent credits be made to revenue accounts in connection with the free transportation of employees on or off duty.

CASE 15.

Query. To what account should be charged the cost of preparing and issuing stock certificates in connection with the organization of a company and expenses incurred in the disposal of the initial issue of such securities?

Answer. To account WP 11, "Miscellaneous."

CASE 16.

Query. Please explain account WE 53, "Pension and relief department expenses." Also please advise to what account should be charged an employee's wages paid as compensation for personal injuries while suffering from an injury and unable to work.

Answer. Account WE 53, "Pension and relief department expenses," is intended to include the amount of all pensions and gratuities paid to retired employees and the expenses incident to the administration of the pension and relief departments. Wages paid to an employee while he is disabled from an injury sustained in maintenance or operation shall be charged to account WE 9, "Injuries to persons," WE 14, "Injuries to persons," or WE 47, "Injuries to persons," as may be appropriate; if the injury is sustained during construction, the wages shall be charged to the same account as the cost of the work upon which the employee was engaged when injured.

CASE 17.

Query. Is it permissible for carriers by water to renumber the primary accounts of the various classifications for their own convenience, provided the Interstate Commerce Commission numbers are maintained for proper reference and report?

Answer. Under the condition stated, it is permissible for a carrier to renumber the primary accounts of the various classifications for its own convenience. For the sake of uniformity, however, it is recommended that only the account numbers shown in the Commission's classifications be used.

CASE 18.

Query. To what accounts should be charged the cost of new structures and general improvements in a free park owned by the carrier and operated for the purpose of stimulating traffic? To what account should the cost of maintaining and operating such park be charged?

Answer. The cost of the new structures and improvements shall be charged to account WP 10, "Shops, power plants, and miscellaneous structures."

The maintenance expense and the cost of operating the park shall be charged to account WE 23, "Other traffic expenses." (See section 6, page 6, *Income Classification*.)

CASE 19.

Query. Kindly advise the proper distribution of:

(1) Trustees' commissions and fees for paying out bond interest on coupons, and expenses, including registrars' fees, connected with such payments.

(2) Cost of general audit of company's books by an audit company.

Answer. The items described shall be charged as follows:

- (1) To account WI 27, "Miscellaneous fixed charges." (See Case 77.)
- (2) To account WE 55, "Other general expenses."

CASE 20.

Query. Please advise whether the salaries of general accounting office clerks engaged in handling the accounts of the maintenance of equipment, maintenance of terminals, and traffic departments should be charged to account WE 49, "Salaries and expenses of clerks and attendants," or apportioned to accounts WE 1, "Superintendence," WE 12, "Superintendence," and WE 17, "Superintendence."

Answer. Their salaries shall be charged to account WE 49, "Salaries and expenses of clerks and attendants."

CASE 21.

Query. To what account should be charged the expense of compiling data and making reports to the Federal Government, public-service commissions, tax authorities, and others, and of testifying before such bodies?

Answer. The expense shall be included in the accounts to which are charged the pay and expenses of the employees who prepare the reports or testify before such bodies. For example, if the reports are prepared by the general office clerks, the expense shall be charged to account WE 49, "Salaries and expenses of clerks and attendants"; if the data regarding real property and equipment are prepared by the maintenance department employees, such expense shall be charged to accounts WE 1, "Superintendence," or WE 12, "Superintendence," as may be appropriate.

CASE 22.

Query. To what account should be charged the expense of an examination of titles of real property and other matters affecting the validity of an issue of bonds?

Answer. If such expense is incurred in connection with the issue of the bonds, it shall be charged to account WB 24, "Unamortized debt discount and expense," and extinguished in accordance with the text thereof.

If the expense has been incurred in connection with a suit to test the validity of the bond issue, it shall be charged to account WE 51, "Law expenses."

CASE 23.

Query. To what account should be charged the amount of company funds stolen from a safe provided by a carrier in the purser's office on a steamer?

Answer. To account WE 33, "Other operation of vessels expenses."

CASE 24.

Query. To what account should be charged the cost of tube cleaners and repair parts for removing scale from boiler tubes in boilers on a steamer?

Answer. The cost of first installation of tube cleaners shall be charged to account WP 1, "Line equipment"; repairs shall be charged to account WE 2, "Vessels—Repairs."

CASE 25.

Query. To what account should be charged the expenses of a general manager, whose duties include those of passenger and freight agent, while attending traffic associations?

Answer. To account WE 17, "Superintendence."

CASE 26.

Query. To what account should be charged insurance premiums paid on construction material or on equipment or structures under construction?

Answer. Insurance premiums paid on construction material or on equipment or structures under construction shall be charged to specific property accounts when they can be allocated to such accounts; otherwise to account WP 11, "Miscellaneous."

CASE 27.

Query. To what account should be charged the cost of installing fire hose on vessels and harbor equipment?

Answer. The cost of first installation of fire hose on a line vessel shall be charged to account WP 1, "Line equipment"; on harbor tugs and lighters to account WP 2, "Harbor equipment," and on miscellaneous floating equipment to account WP 3, "Miscellaneous floating equipment." Repairs of such hose shall be charged to account WE 2, "Vessels—Repairs," or WE 5, "Tugs and lighters—Repairs," as may be appropriate.

CASE 28.

Query. A company desires to set up in the depreciation reserve account the estimated amount of depreciation which has accrued from the beginning of its operations to the present. How should such adjustment be entered in the accounts?

Answer. That proportion of the charges representing depreciation on vessels, tugs, and lighters assignable to the period prior to July 1, 1912, shall be charged to WPL 16, "Miscellaneous debits," and corresponding credit made to account WB 1-B, "Reserves for accrued depreciation—Cr." If the depreciation assignable to the period subsequent to July 1, 1912, has not been accounted for by monthly charges to operating expense accounts WE 4, "Vessels—Depreciation," and WE 7, "Tugs and lighters—Depreciation," and corresponding credits to balance-sheet account WB 1-B, "Reserves for accrued depreciation—Cr.," the carrier should submit full particulars to the Commission and request instructions as to the manner of making the adjustment.

If a company desires to make an adjustment of depreciation on property and equipment not included in account WP 1, "Line equipment," WP 2, "Harbor equipment," or WP 3, "Miscellaneous floating equipment," that proportion of such depreciation assignable to the period prior to the current fiscal year shall be charged to account WPL 16, "Miscellaneous debits," and the proportion assignable to the current fiscal year shall be charged to the accounts to which repairs of such property are chargeable.

The charge to profit and loss account for depreciation prior to July 1, 1912, may be made before or at the time of the retirement. If the depreciation assignable to the period prior to July 1, 1912, is not charged off until the equipment is retired, it shall be charged directly to profit and loss account and corresponding credit made to the appropriate real property and equipment account. (See Case 84.)

CASE 29.

Query. To what account should be credited the amount of a deposit made by a member of a ship's crew and not called for on leaving the service of the company?

Answer. If the company chooses to close the liability account for such a deposit, the amount shall be credited to profit and loss account WPL 5, "Miscellaneous credits."

CASE 30.

Query. To what account should be credited the amount received for advertising in time-tables?

Answer. The amount received for the sale of advertising space in time-tables shall be credited to account WE 21, "Advertising."

CASE 31.

Query. To what account should be charged counsel fees paid for the preparation of the legal papers required in the merger of one steamship company with another?

Answer. To account WP 11, "Miscellaneous."

CASE 32.

Query. To what account should be charged the cost of repairs and replacements of watchmen's portable clocks used in pier sheds and the cost of paper dials used in such clocks?

Answer. The cost of repairs and replacements of such clocks shall be included in account WE 42, "Wharf supplies and expenses," and the cost of the paper dials in account WE 37, "Stationery and printing."

CASE 33.

Query. To what account should be charged receivers' allowances and expenses?

Answer. To operating expense account WE 48, "Salaries and expenses of general officers," except that expenses incurred for legal services shall be charged as indicated in the text of account WE 51, "Law expenses."

CASE 34.

Query. To what account should be charged the cost of fire extinguishers installed in vessels, harbor tugs, and lighters?

Answer. The cost of first installation on vessels shall be charged to account WP 1, "Line equipment"; on harbor tugs and lighters to account WP 2, "Harbor equipment."

CASE 35.

Query. To what account should be charged the cost of refilling fire extinguishers used on vessels, harbor tugs, and lighters?

Answer. The cost of refilling fire extinguishers on vessels shall be charged to account WE 30, "Other supplies and department expenses," and on tugs and lighters to account WE 39, "Tugs and lighters—Operation."

CASE 36.

Query. To what account should be charged the premium paid on a bond in connection with the appeal of an injuries case?

Answer. To operating expense account WE 51, "Law expenses."

CASE 37.

Query. To what account should be charged the salaries and expenses of general office clerks and adjusters employed to investigate and keep records of loss and damage and overcharge claims?

Answer. The pay and expenses of general office employees engaged in recording and investigating loss, damage, and overcharge claims, shall be charged to account WE 49, "Salaries and expenses of clerks and attendants."

The pay and expenses of adjusters other than general office employees who handle loss and damage claims on freight and baggage shall be charged to account WE 44, "Loss and damage—Freight," or WE 45, "Loss and damage—Baggage," as may be appropriate.

CASE 38.

Query. A company owning land which extends some distance out into a river has driven piles along the boundary line as a retaining wall. Contractors doing excavating nearby are paying for the privilege of dumping earth upon this property. To what account should be credited such collections?

Answer. Assuming that the value of the land is not diminished, the amounts received from others for the privilege of dumping earth upon it shall be credited to account WI 13, "Miscellaneous income."

CASE 39.

Query. To what account should be charged expenses incurred at hospitals in ports of call, on account of members of the crew?

Answer. Expenses incurred at hospitals on account of sick members of the crew when assumed by the carrier shall be charged to account WE 33, "Other operation of vessels expenses."

CASE 40.

Query. To what account should be charged the wages of wireless operators and payments for use of wireless apparatus?

Answer. The wages of wireless operators shall be charged to account WE 25, "Wages of crews." Rent of wireless apparatus shall be charged to account WE 33, "Other operation of vessels expenses." If payments for the use of the wireless apparatus include operators' wages, the entire amount shall be charged to account WE 33.

CASE 41.

Query. Certain piers owned by a city and leased to a steamship company were extended by the city approximately 100 feet, and prior to the extension certain repairs were required to be made, involving an outlay of \$5,000. How should the cost of the repairs required by the city be accounted for?

Answer. The cost of repairs shall be included in operating expense account WE 18, "Docks, wharves, buildings, and fixtures," when the repairs are made, unless a reserve to cover such repairs has been *previously* created by monthly accruals.

CASE 42.

Query. Is it proper to include a note which runs for four years in balance sheet account WB 36, "Funded debt," until the note matures, or should a transfer be made to account WB 38, "Loans and bills payable," at the end of three years?

Answer. A note which runs for four years shall be included in balance sheet account WB 36, "Funded debt," until it matures, for the reason that such note matures more than one year after date of issue.

CASE 43.

Query. A company sold excursion tickets from A to B at the rate of \$2 per round trip. On account of weather conditions it was impossible to make the return trip, and the company was compelled to return the excursion party by rail. To what account should be charged the amount of the rail fare paid by the company?

Answer. To account WE 83, "Other operation of vessels expenses."

CASE 44.

Query. To what account should be charged amounts paid for rent of piers?

Answer. To income account WI 18, "Miscellaneous rents." In accordance with note C of account WI 18, if the piers are maintained by the lessor, such proportion of the rent as equals the cost (estimated if not known) of maintaining the property, shall be charged by the accounting company to operating account WE 18, "Docks, wharves, buildings, and fixtures."

CASE 45.

Query. A company owns a tug which is operated principally for the benefit of outside parties. Should the expense in connection with its operation be charged to operating expenses or to account WI 15, "Auxiliary operations—Expenses"?

Answer. If the tug is operated principally to serve others, it will be proper to include the revenues and expenses in the appropriate auxiliary operations accounts in income. If, however, the service performed for others is merely incidental, the tug being employed principally in connection with the company's business, the revenue derived from the incidental operation in the service of others shall be credited to account WR 8, "Miscellaneous transportation revenue," and the entire expense of maintenance and operation shall be included in the appropriate operating expense accounts.

CASE 46.

Query. Ten years ago a company purchased a steamer which was then 25 years old. Depreciation has been accrued on this vessel to the extent of \$10,000. New boilers are now to be put into the steamer. The cost of the new boilers and their installation will be about \$90,000. It is estimated that the cost of the new boilers is 25 per cent greater than the original cost of the boilers in the ship when purchased. How should the cost of the new boilers be accounted for?

Answer. The value (estimated if not known) of the old boilers at the time of purchase shall be credited to the property WP 1, "Line equipment"; concurrently, account WB 1-B, "Reserve for accrued depreciation—Cr.," shall be charged with the amount carried therein with respect to the boilers retired. Proper account shall be taken of salvage and the remaining amount, if any, shall be charged to operating expense account WE 2, "Vessels—Repairs."

The cost of taking out the old and installing the new boilers shall be charged to operating expense account WE 2, "Vessels—Repairs."

The cost of the new boilers shall be charged to account WP 1, "Line equipment."

(See paragraph 6, on page 9, of the Classification of Expenditures for Real Property and Equipment.)

CASE 47.

Query. To what account should be charged the wages of members of a crew who are called upon to testify in a collision case?

Answer. If the wages are not recoverable, they shall be charged to operating expense account WE 46, "Damage to property," unless, however, the action is for personal injuries, in which case account WE 47, "Injuries to persons," shall be charged.

CASE 48.

Query. Is it permissible to include the cost of coal, delivered on board a steamer for fuel purposes but which has not been consumed during the month, in account WB 15, "Materials and supplies."

Answer. Yes.

CASE 49.

Query. A company sold a steamer for \$100,000, the book cost of which was \$150,000. The accrued depreciation amounted to \$10,000 at date of sale. This steamer is not to be replaced. To what account should be charged the difference between the proceeds of the sale and the book value, less accrued depreciation?

Answer. The difference, amounting to \$40,000, shall be charged to account WPL 14, "Real property and equipment debits." (*See section 7, page 9, of the Classification of Expenditures for Real Property and Equipment.*)

CASE 50.

Query. To what account should the amount of deductible averages in hull policy insurance claims be charged?

Answer. If by the term "deductible averages" is meant the provision for deducting a proportion of the expense from the total claim, such deduction shall be charged to accounts WE 2, "Vessels—Repairs" or WE 5, "Tugs and lighters—Repairs," as may be appropriate. If more than one account is affected, the distribution of the amount of the deductible average shall be made over the appropriate accounts on a percentage basis.

CASE 51.

Query. To what account should the salaries of agents and clerks at ports of call be charged?

Answer. To operating expense account WE 35, "Salaries of agents, clerks, and attendants."

CASE 52.

Query. To what account should be charged the cost of repairing electric and hand trucks used in handling freight on wharves?

Answer. To operating expense account WE 18, "Other maintenance of terminals expenses."

CASE 53.

Query. To what account should be charged the cost of renewing batteries and battery acid for enunciators and fire-alarm systems, and carbons for search-lights, on steamers?

Answer. To operating expense account WE 30, "Other supplies and department expenses."

CASE 54.

Query. To what account should be charged the cost of electric lamps used on floating equipment?

Answer. The first cost of electric lamps installed on floating equipment shall be charged to real property and equipment account WP 1, "Line equipment,"

WP 2, "Harbor equipment," or WP 3, "Miscellaneous floating equipment," as may be appropriate; the cost of repairing or renewing such lamps shall be charged to operating expense account WE 2, "Vessels—Repairs," or WE 5, "Tugs and lighters—Repairs," as may be appropriate.

CASE 55.

Query. To what accounts should be charged the cost of rubber stamps for purser's office, local offices, and general office?

Answer. The cost of rubber stamps used in the purser's office shall be charged to operating expense account WE 37, "Stationery and printing," if such office is located on the wharf; if on the steamer, the charge shall be made to account WE 28, "Stationery and printing." The cost of rubber stamps for local offices shall be charged to account WE 37, "Stationery and printing," and those for general offices shall be charged to account WE 54, "Stationery and printing."

CASE 56.

Query. To what account should the cost of boat checks and ticket punches used by the purser be charged?

Answer. To account WE 28, "Stationery and printing."

CASE 57.

Query. To what account should the cost of baggage checks be charged?

Answer. To account WE 37, "Stationery and printing."

CASE 58.

Query. To what account should be charged the cost of repairing iron fire lines made of pipe?

Answer. The cost of repairing iron fire lines, if on floating equipment, shall be charged to account WE 2, "Vessels—Repairs," or WE 5, "Tugs and lighters—Repairs," as may be appropriate; if on wharves, to account WE 18, "Docks, wharves, buildings, and fixtures."

CASE 59.

Query. To what account should be charged the cost of maintaining and operating an automobile for advertising purposes?

Answer. To account WE 21, "Advertising."

CASE 60.

Query. To what account should be charged the cost of moving office furniture and equipment from one office to another?

Answer. To the operating expense accounts to which repairs of such furniture and equipment would be charged after removal. If, for instance, the furniture was moved to the office of the superintendent of equipment, the cost of removing it shall be charged to WE 1, "Superintendence"; if the furniture was moved to the office of the superintendent of traffic, to account WE 17, "Superintendence"; or, if the furniture was moved to the general office, account WE 50, "General office supplies and expenses," shall be charged.

CASE 61.

Query. To what account should be charged the cost of repairing a telephone system which operates to staterooms on vessels?

Answer. To account WE 2, "Vessels—Repairs."

CASE 62.

Query. Are carriers by water required to keep all the accounts comprised in the classifications of expenditures for real property and equipment, operating revenue, income, profit and loss, and general balance sheet accounts?

Answer. Carriers by water, subject to the jurisdiction of the Commission, are required to keep their expenditures for real property and equipment, operating revenue, income, profit and loss, and general balance sheet accounts under the same classifications, no condensed classifications being provided for small carriers except that for operating expenses as set forth on page 11 of the classification of operating expenses.

CASE 63.

Query. A company is required under the conditions of a mortgage to keep a certain number of bonds, or the proceeds thereof, in a fund which may be used only for the payment of the cost of new property acquired, or of additions, extensions, and permanent improvements. Under what balance-sheet account should be included the par value of the bonds so held, or the proceeds thereof?

Answer. The par value of the bonds held in the company treasury, unsold, shall be included in balance-sheet account WB 28, "Insurance and other reserve fund assets." When the bonds are sold, the proceeds, until used, shall be included in the same account.

CASE 64.

Query. (1) To what account should be charged the amount of interest accrued during the construction period on funds borrowed for the construction of a steamship?

(2) To what account should be credited the amount of interest payable which has been accrued and charged to construction?

(3) Is it permissible for a company having no funded (or unfunded) debt to include a reasonable charge for interest, during the construction period, on working funds used for construction purposes?

Answer. (1) To account WP 1, "Line equipment." Whenever it is possible to do so, interest accrued on funds used for construction purposes shall be included as part of the cost of the particular work; if such disposition is impracticable, the interest shall be included in account WP 11, "Miscellaneous."

(2) To balance-sheet account WB 47, "Unmatured dividends, interest, and rents payable" if such interest is payable to others. (*See part 3 of this case.*)

(3) It is permissible to include a reasonable charge for interest during the construction period on the carrier's own funds used temporarily, the corresponding credit being made to account WI 9, "Income from unfunded securities and accounts."

CASE 65.

Query. Account WI 10, "Income from sinking and other reserve funds," provides that "This account should include the income accrued on cash, securities, and other assets (not including securities issued or assumed by the accounting company) held in sinking and other reserve funds." To what account should be credited the income on securities issued or assumed by the accounting company?

Answer. Under the rules contained in accounts WI 22, "Interest on funded debt," WI 29, "Dividend appropriations of income," and WPL 9, "Dividend

appropriations of surplus," it is provided that a company shall not include interest or dividends upon funded debt or stocks issued or assumed by the company and owned by it. Interest on funded debt and dividends on stocks may be accrued or paid only on securities not held by or for the accounting company.

If contractual requirements necessitate increasing the sinking fund annually by the amount of income which would have accrued on the company's securities if they were not owned by the company, such amount shall be charged to account WI 28, "Appropriations of income to sinking and other reserve funds," or WPL 8, "Appropriations of surplus to sinking and other reserve funds," and credited to the appropriate reserve account. If the equivalent of this sum is then paid in cash into the reserve fund, "Cash" shall be credited and account WB 27, "Sinking fund assets," shall be correspondingly charged. (*See Case 109.*)

CASE 66.

Query. This company purchased, according to the provision in one of its mortgages, \$8,000 (par value) of its bonds for cash, at a premium of 1 per cent, amounting to \$80, plus accrued interest amounting to \$185.56.

(1) To what account should be charged the premium of \$80?

(2) To what account should be charged the interest amounting to \$185.56?

(3) Should any adjustment be made for the face value, \$200, of the attached coupons next falling due, interest amounting to \$185.56 having accrued?

Answer. (1) To account WPL 16, "Miscellaneous debits," in accordance with the text of that account.

(2) The amount of interest paid, \$185.56, shall be charged to the account to which credit had been made for accrued interest. (Interest on the bonds purchased shall be accrued to the date of purchase.)

(3) No adjustment as to the coupons is necessary, for the reason that it is not permissible for carriers to enter accruals of interest on bonds issued or assumed and reacquired.

CASE 67.

Query. What account should be charged with expenses incurred because of a strike of longshoremen?

Answer. The wages of employees taking the place of strikers shall be charged to the same accounts as the regular wages of the employees on strike. The same disposition shall be made of overtime.

Any unusual expenses (not wages or overtime), such as meals or police protection, shall be charged to account WE 43, "Other operation of terminals expenses."

Expenses incurred directly in connection with the strike and not chargeable to the primary accounts preceding general account IV, "General expenses" shall be charged to account WE 55, "Other general expenses." (*See Case 4.*)

CASE 68.

Query. To what account should be charged amounts paid annually for licenses to sell liquors on steamships?

Answer. To account WE 31, "Bar supplies."

CASE 69.

Query. To what account should be charged an amount refunded to a shipper in connection with an overcharge due to misrouting by a carrier's agent?

Answer. The proportion of the overcharge accruing on the line of the carrier responsible for the error shall be charged to account WR 1, "Freight revenue"; the remainder of the refund, representing the overcharge on other lines, shall be charged by the company liable therefor to account WE 44, "Loss and damage—Freight."

CASE 70.

Query. A company has installed telephones connecting its general offices, all of which are located in a leased building. To what account should be charged the cost of installing these telephones?

Answer. The cost of installing telephones having the character of movable apparatus shall be charged to account WP 9, "Office equipment." When telephone systems are leased for use in general offices the rent shall be charged to account WE 50, "General office supplies and expenses."

CASE 71.

Query. In what account in the general balance sheet should be included advances to a subsidiary corporation formed for the purpose of holding title to property not used for water line purposes? The advances are for the purpose of enabling the subsidiary company to acquire real estate.

Answer. In account WB 6, "Miscellaneous investments," subprimary account (d), "Other miscellaneous investments."

CASE 72.

Query. A company owning certain ocean front lots, the cost of which is included in account WP 6, "Water front and terminal grounds," has found it necessary to construct a sea wall to prevent the land from being washed away. To what account should the cost of the wall be charged?

Answer. To account WP 6, "Water front and terminal grounds."

CASE 73.

Query. Occasionally a company sells material from stores and a small percentage is added to cover the expense of handling, etc. To what account should the added percentage be credited?

Answer. As the added percentage represents principally the cost of handling, it shall be credited to the operating expense or clearing account charged with such expense. (See Case 98.)

CASE 74.

Query. A number of years ago a company sold bonds at par. These bonds are now due and refunding mortgage bonds, due 25 years hence, are being issued at 90. Is it permissible to amortize the 10 per cent discount on the refunding mortgage bonds throughout the 25 years?

Answer. Yes.

CASE 75.

Query. In what balance-sheet account should be included interest paid in advance on notes payable?

Answer. In account WB 31, "Other deferred debit items."

CASE 76.

Query. Under the sinking-fund provisions of a mortgage a company is required to set aside annually, and to pay trustees, specified sums for the purpose of retiring the bonds issued under the mortgage.

(a) What is the correct accounting for the amounts thus set aside?

(b) How should bonds issued or assumed by the accounting company and purchased by the trustees of the sinking fund be accounted for?

Answer. (a) The specified sums set aside annually for sinking-fund purposes shall be charged to income account WI 28, "Appropriations of income to sinking and other reserve funds," or profit and loss account WPL 8, "Appropriations of surplus to sinking and other reserve funds," as may be appropriate, and credited to balance-sheet account WB 56, "Reserves from income or surplus." When the sums set aside are paid to the trustees of the sinking fund, balance-sheet account WB 27, "Sinking-fund assets," shall be charged and account WB 8, "Cash," credited.

(b) If the trustees purchase at a discount bonds issued or assumed by the accounting company, the amount of discount shall be charged to account WB 27, "Sinking fund assets," and concurrently credited to account WPL 5, "Miscellaneous credits." If the bonds are purchased at a premium, the amount of the premium paid shall be credited to account WB 27, "Sinking fund assets," and concurrently charged to profit and loss account WPL 16, "Miscellaneous debits."

When the reacquired bonds are canceled, account WB 27, "Sinking fund assets," shall be credited and account WB 36, "Funded debt," charged with the par value of the bonds. Concurrently, account WB 56, "Reserves from income or surplus," shall be charged and account WB 54, "Surplus invested in property since December 31, 1912," credited with the amount of surplus expended in the discharge of the principal (less the discount, if any, suffered at the time of sale) of the bonds.

CASE 77.

Query. To what account should be charged commissions allowed trustees, acting under a sinking fund provision of a mortgage, for redeeming bonds?

Answer. Income account WI 27, "Miscellaneous fixed charges." (See Case 19.)

CASE 78.

Query. When the president of a carrier company is directly in charge of the operating departments, how shall the salaries and expenses of that officer and his clerks be distributed?

Answer. If the president is immediately in charge of the departments usually supervised by officers named in the accounts "Superintendence" under Maintenance of Equipment, Maintenance of Terminals, Traffic Expenses, and Transportation Expenses, his salary and expenses and those of his clerks and assistants shall be apportioned in accordance with the note under operating expense account WE 48, "Salaries and expenses of general officers." If the president has, as is usual, only general supervision over the various departments, his salary and expenses shall be charged to expense account WE 48, "Salaries and expenses of general officers."

CASE 79.

Query. To what account shall be charged the amount of a judgment, including court costs, in an action of the United States against a carrier on account of defective equipment?

Answer. To account WPL 16, "Miscellaneous debits."

CASE 80.

Query. What account shall be charged with United States Government fines imposed by the collector of customs for the delivery of freight in bond directly to the consignee, instead of to the collector of the port, the offense being due to the failure of the delivery clerk to notify the customhouse inspector at the point of delivery?

Answer. To account WPL 16, "Miscellaneous debits."

CASE 81.

Query. To what account shall be charged premiums paid to procure currency needed to pay the wages of employees?

Answer. To account WE 55, "Other general expenses."

CASE 82.

Query. To what account shall be credited the amount received by a carrier for the surrender of an unexpired lease for offices occupied by it?

Answer. To account WPL 5, "Miscellaneous credits."

CASE 83.

Query. To what account shall be charged the cost of options on lands for terminals, the plans for construction of which were postponed?

Answer. The amount paid for options on property which it was proposed to use in the construction of terminals shall be carried in a suspense account until the proper disposition has been finally determined. If, later, the plan is definitely abandoned, and the amount expended is lost, the loss sustained shall be charged to account WPL 16, "Miscellaneous debits."

CASE 84.

Query. How may a carrier make adjustment of the differences, due to insufficient charges for depreciation, between the value of equipment as carried in its property account and the actual value of the equipment as ascertained by an appraisal?

Answer. If a carrier's accounts prior to July 1, 1912 (the effective date of the depreciation accounts in Operating Expenses), show insufficient charges for depreciation, and a carrier elects to make an adjustment so that the property equipment accounts shall in fact reflect the cost of equipment in service and the depreciation accounts reflect the full amount of depreciation accrued on such equipment from the date acquired, such adjustment for depreciation prior to July 1, 1912, shall be made through profit and loss.

Advice as to the proper disposition of differences due to insufficient charges for depreciation after July 1, 1912, will be given by the Commission upon receipt of particulars of such discrepancies. (See Case 28.)

CASE 85.

Query. To what account should be charged the rent of a pier for mooring purposes during the winter months when navigation is closed?

Answer. To account WI 18, "Miscellaneous rents."

CASE 86.

Query. Equipment and terminals are acquired at a cost equal to the amount realized from the proceeds of a bond issue. Capital stock is issued gratuitously to bondholders. What entries shall be made in the balance-sheet accounts on account of the issue of this stock?

Answer. The par value of the stock issued shall be credited to account WB 33, "Capital stock," and shall be debited to accounts covering discount and premium on capital stock. The cost of equipment and terminals as stated in the real property and equipment accounts shall be their actual net cost in cash.

CASE 87.

Query. A carrier sells notes because the money market does not warrant the sale of bonds which are deposited as collateral for the notes. Is it permissible to spread the discount on the notes over the life of the bonds, treating the sale and retirement of both notes and bonds as one transaction?

Answer. The sale and retirement of the notes shall be separately accounted for, and the discount suffered shall be treated as provided in account WI 23, "Interest on unfunded debt," if the notes are for a term not exceeding one year. If for a longer term, the discount shall be included in account WI 24, "Amortization of discount on funded debt," and extinguished in accordance with the text of that account.

CASE 88.

Query. To what account shall be charged a contribution to cover the deficit incident to holding a series of educational meetings, sometimes called a "Chautauqua."? This contribution was guaranteed for the purpose of securing traffic.

Answer. The amount shall be charged to account WE 21, "Advertising."

CASE 89.

Query. A company owns a share of stock in a cotton exchange which is not reflected in its accounts. It is impossible to now determine from the records what amount was actually paid for this share of stock, and it is desired to enter its value in the accounts. What value should be placed thereon, and what entries should be made in connection therewith?

Answer. Under the circumstances, the book value of this share of stock should be the present-day market value. If there is no market value, it is recommended that a conservative nominal value be placed on the stock.

The market or nominal value of the stock should be charged to account WB 6, "Miscellaneous investments," "(c) Securities unpledged," and correspondingly credited to account WPL 5, "Miscellaneous credits."

CASE 90.

Query. To what account shall be credited amounts received from anonymous sources ordinarily designated as "conscience money"?

Answer. Unless the remittances indicate that the payments are assignable to the revenue, expense, or income accounts, such payments shall be credited to account WPL 5, "Miscellaneous credits."

CASE 91.

Query. Real estate purchased in the names of individuals is used by a carrier for operating purposes. How shall its cost be accounted for?

Answer. Under the assumption that the individuals in whose names the property has been purchased merely hold the property in trust for the carrier, the cost of the real estate shall be included in the carrier's property investment accounts.

CASE 92.

Query. A crane, which was being used in removing old piles in connection with the repairs and additions and betterments to a wharf, fell through the wharf. The engineer of the crane was injured. To what account shall be charged the payments on account of these injuries?

Answer. The accident having occurred in connection with the removal of the old structure as a preliminary to the construction of improved wharf facilities, the payments shall be charged to expense account WE 14, "Injuries to persons."

CASE 93.

Query. Fuel, purchased by a carrier from mines located upon a connecting carrier's road, is transported upon the basis of through rates. To what account shall be credited the purchasing carrier's proportion of the through rate?

Answer. If the through freight charges on the fuel are charged to the fuel account, the carrier's proportion of the freight charges shall be credited to the same account. The purchasing carrier's proportion of the through rate should not remain in its freight revenue account.

CASE 94.

Query. A carrier pays the salaries of the employees and all other expenses of a joint outside ticket agency and charges each tenant company for a proportion of these expenses, based upon the ticket sales. In what accounts shall these charges be included?

Answer. Carriers have the option, according to their convenience in accounting, of crediting the proportions of the expenses of joint traffic offices charged to other carriers directly to their pay-roll and voucher accounts, or of including all charges on account of service in the primary operating expense accounts and crediting foreign lines' proportions to the same accounts. Joint traffic expenses are usually readily assignable to the primary accounts.

CASE 95.

Query. When land is rented in connection with addition and betterment projects, pending an actual purchase of the property, is the amount of such rent properly chargeable to the cost of additions and betterments? To what account shall be credited rents received from subtenants of such property?

Answer. Provided the primary object in the renting of property is to facilitate the addition and betterment work, the rents paid and received (during the construction period) shall be included in the real property and equipment accounts.

CASE 96.

Query. The coupons on certain equipment trust obligations contain a stipulation that if not paid on date of maturity the coupons shall bear interest from that date. To what account shall the interest on the coupons be charged?

Answer. It shall be charged to income account WI 23, "Interest on unfunded debt."

CASE 97.

Query. An operating carrier rents a part of its terminal for use as a warehouse and produces electrical power for use of the tenant. To what account should be credited the compensation received?

Answer. If the compensation received is not based on distinct charges for rent of the facility and for the power furnished, and the quantity of power furnished is relatively small, the credit shall be to account WR 9, "Rents of buildings and other property."

If, however, the amounts charged for rent and power are clearly separable, the proportion representing rent shall be included in account WR 9, and the proportion representing power shall be included in account WR 10, "Miscellaneous."

CASE 98.

Query. A carrier includes in the price of material sold by it the tariff charges for transportation over its line. To what account shall these charges be credited?

Answer. To account WR 1, "Freight revenue." (See Case 73.)

CASE 99.

Query. To what account shall be charged the cost of repairs and renewals of tableware, silverware, linen, and kitchen utensils and furniture on floating equipment?

Answer. To account WE 2, "Vessels—Repairs," or WE 5, "Tugs and lighters—Repairs," as may be appropriate.

CASE 100.

Query. To what accounts shall be charged plaintiff's court costs and also the carrier's own court costs in connection with personal injury cases, when such expenses are borne by the carrier?

Answer. The plaintiff's court costs shall be charged to the appropriate accounts for injuries to persons. The carrier's court costs shall be charged to account WE 51, "Law expenses."

CASE 101.

Query. When securities, which mature serially, are sold in one lot at a flat discount rate upon their entire par value, how should the discount be amortized?

Answer. The discount and expenses shall be amortized through charges to income in such manner that the ratio between the amortization charges and the principal of the securities outstanding will be uniform for all fiscal periods.

For example: A company issues five \$1,000 equipment trust certificates, one certificate maturing each year. The debt discount and expense is \$450. The distribution of the discount and expense should be as follows:

First year, principal outstanding \$5,000, amortization charge (rate 3 per cent) -----	\$150
Second year, principal outstanding \$4,000, amortization charge (rate 3 per cent) -----	120
Third year, principal outstanding \$3,000, amortization charge (rate 3 per cent) -----	90
Fourth year, principal outstanding \$2,000, amortization charge (rate 3 per cent) -----	60
Fifth year, principal outstanding \$1,000, amortization charge (rate 3 per cent) -----	30

CASE 102.

Query. To what account shall be charged interest paid on deferred taxes?

Answer. To account WI 23, "Interest on unfunded debt."

CASE 103.

Query. To what account should be credited profit realized by reason of charging underwriters an arbitrary rate for meals furnished laborers engaged in lightering cargo on a stranded steamer?

Answer. If the profit is slight, it may be credited to the operating expense account which was charged with the cost of the meals. If the cost of the meals is not charged to operating expenses, the net profit should be credited to account WI 13, "Miscellaneous income."

CASE 104.

Query. To what account shall be charged amounts paid to trust companies for the registration and transfer of capital stock?

Answer. Payments in connection with the initial issuance of capital stock shall be charged to account WP 11, "Miscellaneous." Payments in connection with the transfer of capital stock shall be included in account WE 55, "Other general expenses." (See Case 15.)

CASE 105.

Query. To what account should be charged amounts paid to chambers of commerce or other organizations for reporting steamers?

Answer. To account WE 33, "Other operation of vessels expenses."

CASE 106.

Query. A rail carrier owns, maintains, and operates a wharf and a warehouse adjacent thereto. A water line uses the wharf for loading and unloading freight and uses the warehouse, jointly with the owner, for receiving and delivering freight. For the use of the warehouse and wharf and services performed in connection with the operation thereof the water line pays upon the basis of a rate per ton handled. To what account should such payments be charged?

Answer. To account WE 43, "Other operation of terminals expenses."

CASE 107.

Query. A carrier has received authority from the Interstate Commerce Commission to accrue depreciation on wharves and terminal buildings, furniture and fixtures therein, shop machinery and tools, and transfer equipment (horses, wagons, trucks, motors, etc.). In what accounts should the charges for current depreciation on such property be included?

Answer. Charges for current depreciation upon wharves and terminal buildings, and furniture and fixtures therein, shall be included in a subprimary account titled: WE 13a, "Docks, wharves, buildings, and fixtures—Depreciation." Depreciation upon shop machinery and tools shall be included in a subprimary account titled: WE 8a, "Shop machinery and tools—Depreciation." Depreciation upon transfer equipment shall be charged to a subprimary account titled: WE 16a, "Transfer equipment—Depreciation."

CASE 108.

Query. The text of operating revenue account WR 1, "Freight revenue," reads in part as follows:

"This account should be charged with * * * amounts uncollected or refunded on freight destroyed in transit and on short and lost freight; also uncollectible undercharges determined after delivery has been made."

The text of operating expense account WE 44, "Loss and damage—Freight," reads in part as follows:

"This account should include * * * uncollectible freight charges paid other carriers on lost, misrouted, damaged, or refused shipments * * *"

Is there not a conflict between the texts of these accounts as above quoted?

Answer. There is no conflict. Charges shall be made to operating revenue account WR 1, "Freight revenue," in connection with freight destroyed in transit, short and lost freight, and uncollectible undercharges, only when this account has previously received credit for the amounts being refunded; the amounts of such charges to "Freight revenue" shall not exceed the amounts already credited thereto for such shipments.

Charges to operating expense account WE 44, "Loss and damage—Freight," shall be confined to refunds of other company's proportion of freight revenue on lost, destroyed, and damaged shipments; such proportions will not, of course, have been credited to the accounting company's freight revenue account.

CASE 109.

Query. A company purchased three of its equipment trust bonds at par. Is it proper to charge balance sheet account WB 9, "Marketable securities," with the par value of these bonds and in compiling a balance sheet omit the par value from the assets and deduct same from the liabilities? To what income account should the interest on these bonds be credited?

Answer. If the bonds have not been canceled, the par value shall be charged to an appropriate ledger account and, as required by the text of balance sheet account WB 36, "Funded debt," in annual reports to the Commission the par value thereof shall be deducted from the total amount of bonds outstanding. (See paragraph 3, of the general instructions, on page 10 of the Form of Balance Sheet Statement.)

No interest shall be accrued on the company's own bonds when held by or for it. (See note A of income account WI 22, "Interest on funded debt.")

If the bonds were acquired for sinking fund purposes and contractual requirements necessitate increasing the sinking fund annually by the amount of income which would have accrued on the company's bonds if they were not owned by the company, such amount shall be charged to account WI 28, "Appropriation of income to sinking and other reserve funds," or account WPL 8, "Appropriation of surplus to sinking and other reserve funds," as may be appropriate, and correspondingly credited to the sinking fund reserve account. The equivalent of this sum is then paid in cash into the reserve fund, in which case "Cash" shall be credited and account WB 27, "Sinking fund assets," shall be correspondingly charged. (See Case 65.)

CASE 110.

Query. This company's towboats are employed in terminal operations and also tow the company's steamers to and from stream. To what accounts should be charged the expenses incident to their operations?

Answer. The expense incident to the operation of towboats employed in terminal operations and in assisting steamers to and from stream shall be dis-

tributed upon an equitable basis between operating expense accounts WE 33, "Other operation of vessels expenses," and WE 39, "Tugs and lighters—Operation."

CASE 111.

Query. Is it permissible to create by charges to surplus a reserve to which may be debited extraordinary losses? It is the intention to charge this reserve with extraordinary losses, such as the loss of a ship or cargo losses when same amount to \$50,000 or more. In other words, the reserve will take care of only extraordinary losses.

Answer. The classification of operating expenses was framed for the purpose of having included therein all items of expenses, both ordinary and extraordinary, as provided in the text of the respective primary accounts, and it is improper to charge such losses to a reserve created by charges to either income or surplus.

CASE 112.

Query. To what account should be charged the cost of teaming freight from a company's wharf to a railroad station, in order to effect delivery to a connecting carrier? This transfer was necessary because of the congested condition of the terminal, the usual method of transfer being to load into cars on the wharf.

Answer. The cost of this team delivery shall be included in operating expense account WE 40, "Switching, lighterage, and other transfers."

CASE 113.

Query. As a result of a collision case, a ship of this company was ordered sold by the court to satisfy claims. This company purchased the ship at the trustee's sale for less than its original cost. Is it permissible to enter the cost of this ship at its original cost, crediting profit and loss with the difference between the original cost and the price paid the trustee?

Answer. As the ship has been repurchased from the trustee, the amount paid to such trustee shall be accounted for as the cost of the ship, and such amount only shall be charged to the appropriate real property and equipment account.

CASE 114.

Query. To what account should be charged the cost of a cash register installed on a steamer for use in connection with the sale of liquors?

Answer. To account WP 1, "Line equipment."

CASE 115.

Query. Company A has the exclusive rights to an amusement park, including the use of wharf or landing at the entrance to the park. It is unable to handle with its own vessels all the traffic going to this park, and makes a contract with company B as follows:

A is to advertise that certain boats operated by B will stop at this landing on their regular runs at advertised hours. B has no expenses except for the sale of tickets to this point and the small expense of stopping for a short time at the landing. Out of the revenue from the sale of tickets B is to pay A an allowance of 7 cents on each ticket. A agrees that this allowance of 7 cents will be spent in advertising the trips of B's boats. How should B account for this allowance of 7 cents per ticket?

Answer. Upon the condition that the company (A) receiving the 7 cents per ticket is required to spend the sum so received in advertising the trips of the

paying company's boats, the paying company (B) shall charge such amounts to operating expense account WE 21, "Advertising."

CASE 116.

Query. To what extent shall detailed information be shown in the general books of carriers by water?

Answer. The records shall be kept with sufficient particularity to show fully the facts pertaining to all entries made in the accounts. Where the full information is not recorded in the general books, the entries therein shall be supported by other records, in which the full details shall be shown. Such general book entries shall contain sufficient reference to the detail records to permit ready identification of the latter, and the detail records shall be kept in such manner as to be readily accessible when required for examination by representatives of the Interstate Commerce Commission.

CASE 117.

Query. Is it required that all materials and supplies be carried through the materials and supplies account?

Answer. No. Materials and supplies purchased for a specific project or for immediate use may be charged directly to the accounts affected and need not be carried through account WB 15, "Materials and supplies."

CASE 118.

Query. Does the Interstate Commerce Commission require that specific assets be set aside to cover sinking fund appropriations?

Answer. No. Appropriations of income and the setting aside of assets usually depend upon the provisions of the mortgage or upon the policy of the company. If assets are set aside they shall be carried in account WB 27, "Sinking fund assets."

CASE 119.

Query. To what account shall be credited amounts collected from contractors as penalties for failure to complete construction work at the specified time?

Answer. Such forfeiture shall be considered as an abatement of the cost of work covered in the contract and shall be credited to the account to which the cost of the work is charged.

CASE 120.

Query. To what account should be charged the cost of transferring rejected aliens from the company's wharf to the deportation depot and the expenses of such aliens held for deportation?

Answer. To account WE 43, "Other operation of terminals expenses."

CASE 121.

Query. What should be the accounting treatment in connection with delayed items of revenue, expense, or income?

Answer. Delayed items (items representing transactions which occurred before the current year) relating to operating revenue, operating expense, or income shall be included in the appropriate revenue, expense, or income account for the fiscal period in which the audit of the items occurs, except that when no provision has been made for anticipated delayed items chargeable or creditable to operating revenue, operating expense, or income, and the amount of any such item is relatively so large that its inclusion in the accounts for a

single year would seriously distort those accounts, the carrier, if so authorized upon application to the Interstate Commerce Commission, may distribute to profit and loss so much of the amount as may be authorized. The carrier in its application to the Commission shall give full particulars concerning each item and the reasons which, in its judgment, indicate the propriety of such accounting.

CASE 122.

Query. To what account should be charged rent of submarine signals on vessels?

Answer. To account WE 33, "Other operation of vessels expenses."

CASE 123.

Query. To what account should be charged interest paid in settlement of loss and damage claims?

Answer. To accounts WE 44, "Loss and damage—Freight," or WE 45, "Loss and damage—Baggage," as may be appropriate.

CASE 124.

Query. To what account should be charged lawful claims for expenses of passengers detained at a port due to changes in sailing schedules?

Answer. To account WE 33, "Other operation of vessels expenses."

CASE 125.

Query. To what account should be charged the cost of inventories and appraisals of real property and equipment?

Answer. The cost of inventories and appraisals shall be accounted for as follows:

(1) Those taken incident to a general valuation of property owned or used in transportation service, including those taken in accordance with the Act to Regulate Commerce, or with other similar Federal or State requirements, shall be charged to account WE 55, "Other general expenses," preferably in a sub-account entitled WE 55a, "Valuation expenses."

(2) Those taken on the orders of public authorities for other purposes, such as for use in rate cases, shall be charged to account WE 55, "Other general expenses."

(3) Those taken in connection with the proposed purchase of property shall be charged to account WB 31, "Other deferred debit items," pending final disposition. If the property is finally purchased, the cost shall be considered as part of the price paid and charged to the appropriate asset account. If the property is not purchased, the cost shall be charged to account WPL 16, "Miscellaneous debits."

(4) Those taken in connection with an issue of bonds shall be charged to account WB 24, "Unamortized debt discount and expense," and extinguished in accordance with the text thereof.

No amounts shall be included in the cost of inventories and appraisals for incidental services of officers and employees, but special office, clerical, traveling, and incidental expenses incurred by such officers and employees may be included.

CASE 126.

Query. At New York City, freight traffic is handled to and from wharves and steamships, partly by company lighters and partly by outside lighters.

(a) To what account should be credited the lighterage arbitraries on freight so handled?

(b) To what account should be charged the cost of operating company's lighters and lighterage arbitraries paid to lighterage companies upon the basis of tariff rates?

Answer. (a) To account WR 8, "Miscellaneous transportation revenue."

(b) The expenses incident to the operation of the company's lighters shall be charged to account WE 39, "Docks and lighters—Operation"; allowances to lighterage companies upon the basis of tariff rates shall be charged to account WR 8, "Miscellaneous transportation revenue."

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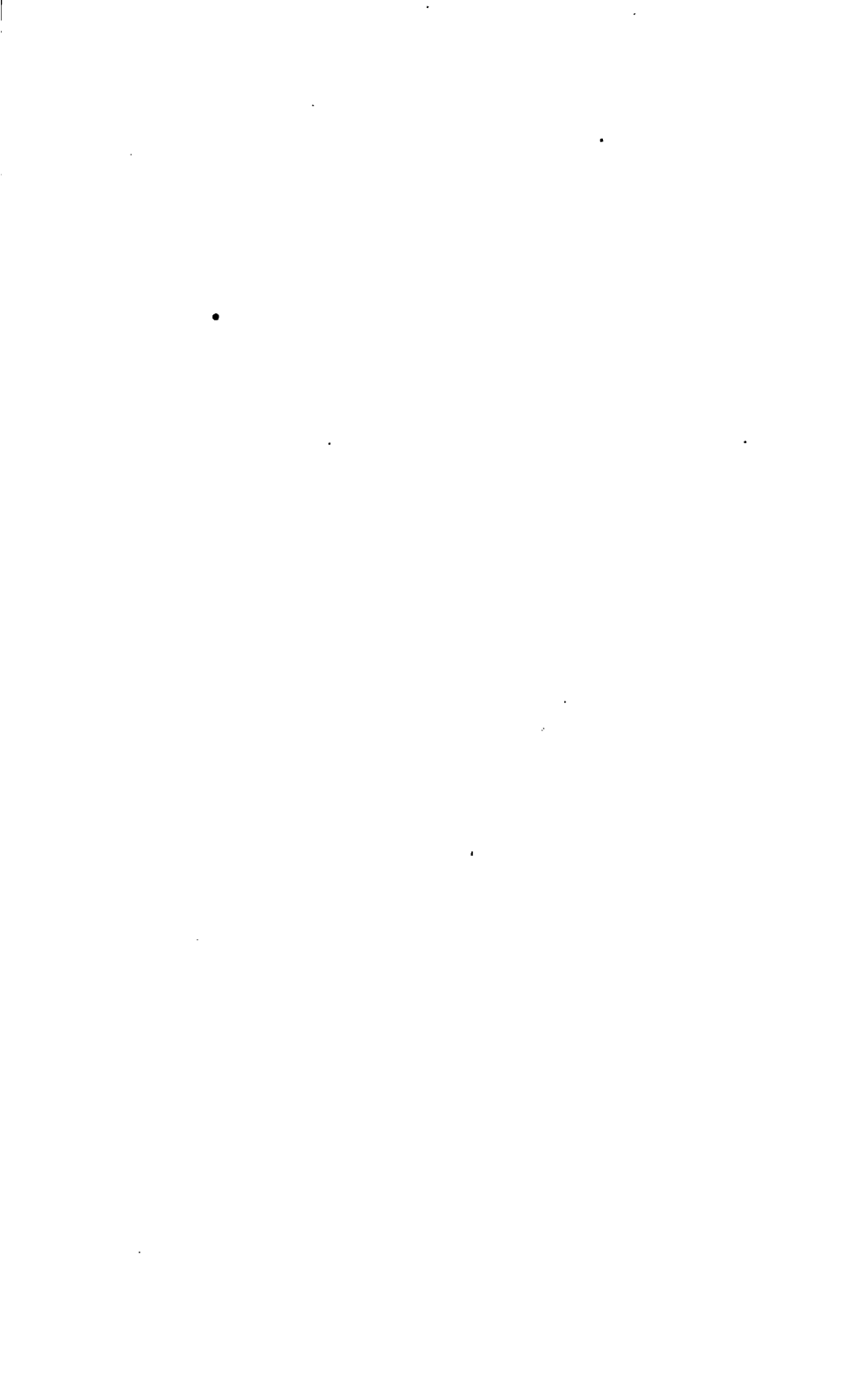
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Accounting Bulletin No. 13

**INTERPRETATIONS
OF
ACCOUNTING CLASSIFICATIONS
EMBODIED IN THE
UNIFORM SYSTEM OF ACCOUNTS
FOR
EXPRESS COMPANIES**

**PRESCRIBED BY THE
INTERSTATE COMMERCE COMMISSION**

**IN ACCORDANCE WITH SECTION 20 OF THE
ACT TO REGULATE COMMERCE**

Effective on January 1, 1917

(Supersedes Accounting Bulletin No. 6)



**WASHINGTON
GOVERNMENT PRINTING OFFICE
1917**

THE INTERSTATE COMMERCE COMMISSION.

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GEORGE B. MCGINTY, *Secretary.*

ORDER.

At a General Session of the INTERSTATE COMMERCE COMMISSION, held at its office in Washington, D. C., on the 22d day of December, A. D. 1916.

The subject of a Uniform System of Accounts to be prescribed for and kept by carriers being under consideration, the following order was entered:

It is ordered, That the interpretations of the accounting classifications for express companies, prepared under the direction of this Commission and embodied in printed form to be hereafter known as Accounting Bulletin No. 13, a copy of which is now before this Commission, be, and the same is hereby, approved; that a copy thereof duly authenticated by the Secretary of the Commission be filed in its archives, and a second copy thereof, in like manner authenticated, in the office of the Division of Carriers' Accounts; and that each of said copies so authenticated and filed shall be deemed an original record thereof.

It is further ordered, That the accounting methods directed in the interpretations contained in the said Accounting Bulletin No. 13 be, and they are hereby, prescribed for the use of express companies subject to the provisions of the Act to Regulate Commerce, as amended, in the keeping and recording of their accounts.

It is further ordered, That January 1, 1917, be, and it is hereby, fixed as the date on which the said Accounting Bulletin No. 13 shall become effective.

By the Commission.

[SEAL.]

GEORGE B. McGINN,
Secretary.

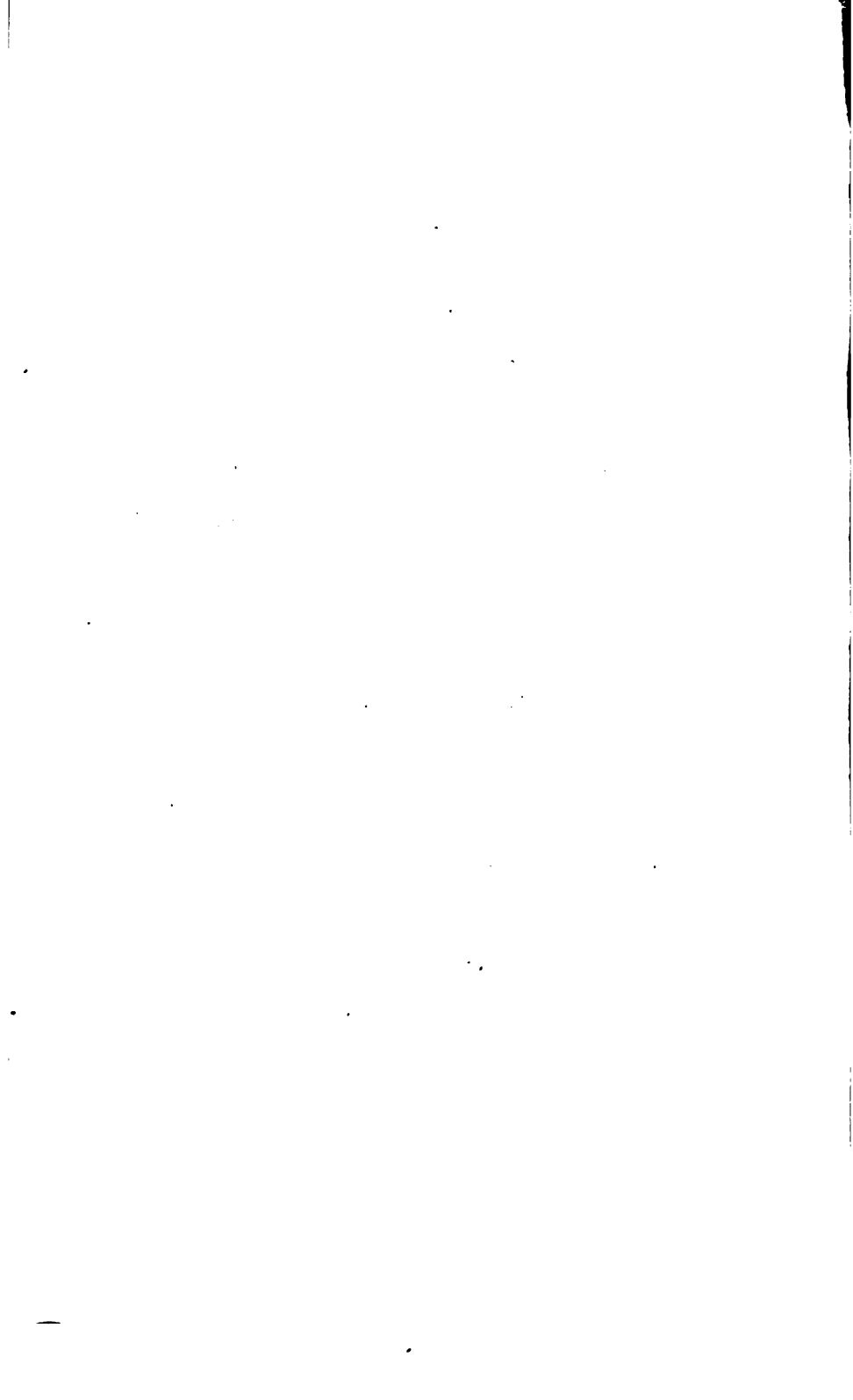
INTERSTATE COMMERCE COMMISSION,
DIVISION OF CARRIERS' ACCOUNTS,
Washington, December 22, 1916.

TO ACCOUNTING OFFICERS OF EXPRESS COMPANIES:

This accounting bulletin, which contains interpretations of the accounting classifications in connection with various questions, supersedes Accounting Bulletin No. 6, which became effective July 1, 1910. Its preparation and issue became necessary on account of the issuance of the revised accounting classifications which became effective July 1, 1914.

In tentative form, this bulletin was submitted to the railroad commissions of the several States and to the Committee on Corporate and Fiscal Accounts of the Association of Express Accountants. All suggestions received from such parties have been given careful consideration in the compilation of the bulletin as now issued.

FRED W. SWENEY,
Chief Examiner of Accounts.



INTERSTATE COMMERCE COMMISSION ACCOUNTING BULLETIN NO. 13.

INTERPRETATIONS OF ACCOUNTING CLASSIFICATIONS—EXPRESS COMPANIES.

CASE 1.

Query. Is it necessary that all vouchers shall bear details on their faces?

Answer. Each voucher shall bear on its face sufficient information to show for what purpose payment was made, and data necessary to determine the validity of the transaction and correctness of the distribution of the charges. Where complete details can not be shown on the voucher owing to insufficient space, the voucher should be supported by detailed information, the location of which may be indicated by attachments or by reference on the face of the voucher.

CASE 2.

Query. To what account shall be charged repairs of rented buildings used by the accounting carrier?

Answer. The cost of repairs to rented buildings shall be charged to the same account to which the rent is charged, unless the repairs are made to fixtures and improvements the cost of which is included in the carrier's property account; in which event the cost of such repairs shall be charged to account No. 2, "Buildings and appurtenances—Repairs."

CASE 3.

Query. To what account shall be charged the cost of repairing inset floor scales?

Answer. To account No. 18, "Office furniture and equipment—Repairs" or account No. 24, "Stable and garage equipment—Repairs," as may be appropriate. The cost of restoring floors of buildings incidental to moving inset floor scales is an expense incidental to the scale and shall be charged to account No. 18 or No. 24. (See Case 48.)

CASE 4.

Query. A carrier contemplated the demolition of a building used in express operations and the erection of another on the site to be used for the same purpose as the building demolished. Architects' plans were drawn, but the project was abandoned without further action. To what account shall be charged the cost of drafting the plans?

Answer. To account No. 2, "Buildings and appurtenances—Repairs."

CASE 5.

Query. What should be the accounting for the cost of extensive repairs on second-hand equipment purchased necessary to bring it up to the standard required by the purchaser?

Answer. When second-hand equipment acquired is in such physical condition that it is necessary to make extensive repairs to bring it up to the standard

required by the carrier, the cost of such repairs shall be included in the account appropriate for the cost of the equipment. A comprehensive statement of the amount estimated to be necessary to rebuild second-hand equipment in accordance with the above provision shall be furnished to the Commission as soon as the estimate is made.

If such repairs are made after the equipment is placed in service, due allowance should be made for the proportion chargeable to operating expenses.

CASE 6.

Query. An agent of the company received a summons garnisheeing the wages of an employee. On account of delay incident to notifying the legal department the employee succeeded in drawing his pay, and the company was obliged to make good the amount of the claim. To what account shall the loss be charged?

Answer. The loss shall be charged to account No. 62, "Other expenses."

CASE 7.

Query. To what account shall be charged the expense of moving an employee from one location to another when transferred by the express company and the expense is assumed by it?

Answer. Charge the account to which would be charged traveling or other expenses of the employee in the new location.

CASE 8.

Query. How shall a carrier account for amounts allowed for loyal service of certain employees during a strike?

Answer. Such allowances shall be charged to the same accounts as the regular pay of the employees.

CASE 9.

Query. A branch agency which delivers packages called for by consignees, and receives packages to be forwarded by express, is allowed a uniform amount per package. To what account shall these allowances be charged?

Answer. To account No. 39, "Commissions."

CASE 10.

Query. To what account shall be credited the proceeds from the sale of ice, the cost of which has been charged to account No. 40, "Office supplies and expenses"?

Answer. Credits shall be made to account No. 40, "Office supplies and expenses." Net profits, if ascertained, shall be credited to revenue account No. 116, "Miscellaneous."

CASE 11.

Query. To what account shall be charged payments to a local delivery concern for conducting the pick-up and delivery service of the carrier, such remuneration being on the basis of pieces handled or trips made?

Answer. To account No. 45, "Drayage."

CASE 12.

Query. To what account shall be charged the cost of ice used for reicing goods at time of transfer from one depot to another or from one railroad to another while in transit?

Answer. To account No. 47, "Train supplies and expenses."

CASE 13.

Query. An office containing express freight awaiting local delivery is destroyed by fire. To what account shall be charged the uncollected tariff charges on goods originating on the line of another carrier?

Answer. The delivering carrier's proportion of the tariff charges shall be charged to revenue account No. 101, "Express—Domestic." The other carrier's proportion of the tariff charges shall be charged to account No. 49, "Loss and damage," to which latter account shall be credited insurance recovered.

CASE 14.

Query. A consignee failed to take a shipment out of bond, and it was therefore sold by customs officials, but the tariff charges were not realized. To what account shall the unrealized tariff charges be charged?

Answer. To account No. 49, "Loss and damage."

CASE 15.

Query. A shipment passed through customs with an excessive valuation, resulting in a high customs duty, on account of which consignee refused to accept delivery. The tariff charges and duty were uncollectible. To what account shall be charged the uncollectible tariff charges and duty?

Answer. The uncollectible tariff charges shall be charged to account No. 49, "Loss and damage." This being a refused shipment, the uncollectible duty shall be treated as part of the expense incurred in that connection and charged to account No. 49, "Loss and damage," to which account any salvage would be credited.

CASE 16.

Query. In what account shall be included the traveling expenses, rent, stationery and printing, and incidental office expenses of claim agents, clerks, and other employees (other than agency employees) exclusively engaged in recording, investigating, and adjusting claims for loss and damage, and the traveling expenses, rent, stationery and printing, and incidental office expenses of special officers, special agents, detectives, and other operatives employed by the carrier for the detection and apprehension of thieves, robbers, burglars, defaulters, absconders, and other criminals?

Answer. These expenses shall be charged to account No. 49, "Loss and damage."

CASE 17.

Query. To what accounts shall be charged plaintiff's court costs and also the carrier's own court costs in connection with personal injury cases, when such expenses are borne by the carrier?

Answer. The plaintiff's court costs shall be charged to account No. 51, "Injuries to persons." The carrier's court costs shall be charged to account No. 56, "Law expenses."

CASE 18.

Query. Offices containing local agency records of a carrier are destroyed by fire. After all the accounts have been audited and all debit and credit correction notices have been applied there remains on the agent's balance sheets in one instance an amount due the carrier for which the agent is al-

lowed relief; and in another instance an amount over. To what accounts shall such amounts be debited or credited?

Answer. The net amount shall be included in account No. 52, "Other expenses."

CASE 19.

Query. A railroad carrier entitled to the privilege of free transportation under contract with an express carrier tenders a shipment which is mis-routed by the express carrier and thereby handled over another route to which the railroad carrier's privilege of free transportation does not extend. The express carrier was obliged to assume the charges via the route traveled. To what account shall such loss be charged?

Answer. To account No. 52, "Other expenses."

CASE 20.

Query. A shipment was handled by Road A from X to Z for Road B. Road B, however, has a line of its own from Y (intermediate junction point between Roads A and B) to Z and should have received the shipment at Junction Y, in which event the express company would have handled the shipment free from Y to Z under its contract with Road B.

The express company allows Road A its full through revenue for the actual haul from X to Z but collects from Road B only the proportion of the through rate accruing for the haul from X to Y.

To what account should the express company charge the amount represented by the proportion of the through rate accruing between Y and Z not collected from Road B?

Answer. To account No. 52, "Other expenses."

CASE 21.

Query. A claim is made for the value of money orders and travelers' cheques reported to be lost or stolen and refund is made to claimant. Later, the original paper reaches the express company, having been delayed in presentation but regularly cashed. It is then found impossible to enforce the indemnity bond given by the claimant. To what account shall be charged the payment to the claimant?

Answer. To account No. 52, "Other expenses."

CASE 22.

Query. The payment of an operating expense was made by an agent out of agency funds, and also by voucher draft issued by the disbursing office. To what account shall be charged the duplicate payment if unrecoverable?

Answer. The duplicate payment shall be charged to account No. 52, "Other expenses," if agent was at fault, or account No. 62, "Other expenses," if accounting department was at fault.

CASE 23.

Query. To what account shall be charged uncollectible items covering cost of feed for live stock in transit?

Answer. To account No. 47, "Train supplies and expenses."

CASE 24.

Query. To what account shall be charged amounts written off, representing prepaid tariff charges collected and lost by drivers?

Answer. To account No. 52, "Other expenses."

CASE 25.

Query. An express carrier has an express privilege contract with two railway carriers. In order to facilitate the movement of express cars between the lines of the two railway carriers, a crossover track was built. The cost of the crossover track was \$600, the express carrier's proportion being \$200, leaving \$200 each to be assumed by the respective railway carriers. No switching charges will be saved by this construction, but the facility will relieve the express carrier of the extra costs of transferring express matter from car to car. The ownership of the track remains with the railway carriers. To what account shall be charged the proportion of the cost assumed by the express carrier?

Answer. To account No. 52, "Other expenses."

CASE 26.

Query. When data are gathered for use in rate cases or for reports to or for use by public regulating bodies or tax authorities, in what account shall be included the cost of assembling and compiling done (a) by especially retained statisticians and accountants and (b) by the regularly retained accountants?

In what account shall be included the expense of presenting and elucidating such data as evidence in hearings before regulating bodies or tax authorities?

Answer. (a) In the operating expense account "Other expenses" appropriate to the department for which the service is rendered; (b) in the account to which the employees' labor and overtime is ordinarily chargeable.

The expense of presenting as testimony before regulating bodies or tax authorities the data referred to shall be charged to the accounts ordinarily chargeable with the pay and expenses of the employees whose duty it is to present testimony before such bodies.

CASE 27.

Query. To what account shall be charged the premium paid on a judicial bond necessary in connection with appeal of an injuries case?

Answer. To account No. 56, "Law expenses."

CASE 28.

Query. Is any accounting distinction to be made between monthly or other periodic payments to attorneys regularly retained by the company and those retained for specific services?

Answer. No. Both the periodic payments to attorneys regularly retained by the company and the payments to and the expenses of attorneys retained for specific services shall be charged to account No. 56, "Law expense."

CASE 29.

Query. To what account shall be charged allowances toward defraying funeral and undertaker's expenses of a former employee?

Answer. That part of such allowances provided for in the pension scheme of a carrier shall be charged to account No. 59, "Pensions." If a part of the

consideration is in settlement of an injury claim, such part shall be charged to account No. 51, "Injuries to persons." Other amounts, as for donations, etc., shall be charged to account "Other expenses," under maintenance, traffic, transportation, or general, as may be appropriate.

CASE 30.

Query. To what account shall be charged an employee's shortage in excess of the surety bond?

Answer. To account "Other expenses," under maintenance, traffic, transportation, or general, as may be appropriate.

CASE 31.

Query. To what account shall be charged the cost of a general audit of a company's books by an audit company?

Answer. To account No. 62, "Other expenses."

CASE 32.

Query. To what account shall be charged premiums paid to a surety company on bonds required by the Government in connection with the custody of bonded merchandise?

Answer. To account No. 62, "Other expenses."

CASE 33.

Query. When employees are called into the service of the Government as members of the National Guard, to what account shall be charged payments to them while absent from duty with the carrier, arrangements having been made to employ substitutes in their places and to allow the absent employees their regular compensation, or a portion thereof, according to circumstances?

Answer. The payments made to employees under such conditions shall be charged to account No. 62, "Other expenses."

CASE 34.

Query. A refund is made to the purchaser of a traveler's cheque in reimbursement of the amount charged by a foreign bank for cashing the cheque. To what account shall be charged the refund?

Answer. This amount is in the nature of an exchange fee on remittances, and shall be charged to account No. 62, "Other expenses."

CASE 35.

Query. To what account shall be charged amounts paid as rewards to employees and others for stopping runaway teams and apprehension of thieves or forgers?

Answer. These payments are in the nature of gratuities and shall be charged to account No. 62, "Other expenses."

CASE 36.

Query. To what account shall be charged donations toward the maintenance of a society for the prevention of cruelty to animals?

Answer. To account No. 62, "Other expenses."

CASE 37.

Query. What account shall be charged with expenses incurred because of a strike of vehicle employees?

Answer. There is no special account in which to include strike expenses. The wages of employees taking the place of strikers shall be charged to the same accounts to which would have been charged the wages of the employees on strike. The same disposition shall be made of overtime and extra pay of such employees.

Any unusual transportation expenses (not wages or overtime), such as police protection, shall be charged to account No. 52, "Other expenses."

Any general expenses incurred directly in connection with the strike and not otherwise provided for in the primary accounts shall be charged to account No. 62, "Other expenses."

CASE 38.

Query. To what account shall be charged (1) miscellaneous contributions, and (2) related expenses, such as decorating buildings or furnishing floats on holiday occasions?

Answer. (1) If contributions are made for the purpose of developing traffic, for example, expenses incurred in connection with an industrial exposition or other business occasion, charge account No. 34, "Advertising." If contributions are made without regard to traffic but incidentally for the benefit of the operations of the company, such as those to local fire departments, business leagues, Young Men's Christian Association, and similar institutions charge the appropriate expense account of the department concerned; or, if impossible of allocation, charge account No. 62, "Other expenses." (2) Expenditures such as those for decorating buildings and furnishing floats on holiday occasions, except when incurred for traffic purposes and, therefore, chargeable to account No. 34, "Advertising," shall be apportioned to the department concerned as far as possible. Items so general in character as not to admit of such apportionment shall be charged to account No. 62, "Other expenses."

CASE 39.

Query. To what account shall be charged interest and penalties on loss and damage claims and overcharge claims?

Answer. Interest and penalties on loss and damage claims shall be charged to account No. 49, "Loss and damage." Interest on overcharge claims shall be charged to account No. 324, "Interest on unfunded debt." Penalties on overcharge claims shall be charged to account No. 62, "Other expenses."

CASE 40.

Query. An express carrier has a contract for operating the express business over the lines of a certain railway carrier. Under an arrangement the express carrier is required to share the difference between the refrigeration charges collected on shipments moving over the lines of the railway carrier and the cost of ice actually furnished. The differences are prorated on the same basis as payments for express privileges, and the railway carrier is paid its percentage of the profit or is billed for its percentage of the loss.

(a) To what account shall be charged the percentage of the profit paid the

railway carrier; (b) to what account shall be credited the percentage of the loss billed on the railway carrier?

Answer. (a) To account No. 104, "Express privileges—Dr." (b) To account No. 104, "Express privileges—Dr."

CASE 41.

Query. In order to reach a certain city Carrier A and Carrier B, both carriers by express, have an agreement under which Carrier B handles the business between two given points, receiving an agreed percentage of revenues as compensation. The agreement is an ordinary "tonnage agreement," the payment being made to Carrier B for handling Carrier A's traffic over a line on which Carrier B has the contract. Shall the amount paid to Carrier B be charged to account No. 104, "Express privileges—Dr."?

Answer. The amount paid to Carrier B is not chargeable to account No. 104, "Express privileges—Dr.," but shall be charged to account No. 101, "Express—Domestic." The term "tonnage agreements," as used in the text of the credit and debit items under account No. 101, should not be construed as defining the basis on which payment is made, but as indicating a service usually paid for on that basis.

CASE 42.

Query. The express business over a certain railway line is conducted for the railway company by an express company. After deducting from the gross receipts from operation the expenses of operating and the agreed percentage allowed to it as compensation, the express company turns the remainder of receipts over to the railway company. How shall this transaction be handled in the express company's accounts?

Answer. The gross revenues and expenses shall be included in the accounts of the express company. The amount turned over to the railway company shall be charged by the express company to account No. 104, "Express privileges—Dr."

CASE 43.

Query. A shipment to a point in the city within the free-delivery limits of a carrier was diverted to another carrier to complete vehicle delivery. To what account shall be charged the tariff charges of the delivering carrier?

Answer. To account No. 101, "Express—Domestic."

CASE 44.

Query. A shipment too large to be handled in express cars was forwarded by an express carrier over a boat line with which the express carrier has no express-privilege contract. To what account shall be charged the amount paid the boat line?

Answer. To account No. 101, "Express—Domestic."

CASE 45.

Query. To what account shall be credited amounts received from the sale of waste paper and old records?

Answer. To account No. 116, "Miscellaneous."

CASE 46.

Query. To what account shall be credited the amounts of charges assessed for the detention of refrigerator cars?

Answer. To account No. 116, "Miscellaneous."

CASE 47.

Query. To what account shall be charged interest paid on deferred taxes?

Answer. To account No. 324, "Interest on unfunded debt."

CASE 48.

Query. To what account shall be charged the cost of inset floor scales?

Answer. To account No. 210, "Office furniture and equipment," or account No. 213, "Stable equipment," as may be appropriate.

The cost of structural changes in buildings incident to the installation of inset floor scales shall be charged to account No. 210 or No. 213. (See Case 3.)

CASE 49.

Query. Through error a duplicate refund was made of an overcharge for transportation service, and the amount was determined to be irrecoverable. To what account shall be charged the duplicate refund?

Answer. The amount of the duplicate refund, when discovered, shall be credited to the account previously charged, and when found to be irrecoverable shall be charged to account No. 316, "Uncollectible revenue from transportation." This case shall not be construed to relieve the carrier from its responsibility for collecting and retaining the lawfully established charges.

CASE 50.

Query. What shall be the accounting for discounts realized through prompt payment and interest payable incurred through delayed payment of bills for materials and supplies?

Answer. Materials and supplies shall be charged to the accounts at their actual cost in cash, or its equivalent, to the accounting company.

Discounts realized for the prompt payment of bills shall, as far as possible, be applied as credits to the particular bills or invoices involved.

Discounts realized which can not be credited to the particular bills or invoices involved shall be credited to clearing account "Supply expenses." (See sec. 9, p. 15, of the Uniform System of Accounts.)

Interest on delayed payments shall be charged to account No. 324, "Interest on unfunded debt."

CASE 51.

Query. It has been the practice of an express company to carry as a liability the total amount of unclaimed money, the larger proportion of which is for C. O. D.'s which could not be identified, for which undoubtedly claims have been paid, the balance being carried forward from year to year, no adjustment being made to reduce the amount outstanding. Is it permissible to adjust this unclaimed money account by crediting profit and loss with this amount, which represents accumulations of unclaimed money balances during the period from July 1, 1907, to July 1, 1914?

Answer. Since July 1, 1914, it has been required that amounts of cash in unclaimed packages and amounts represented by undelivered C. O. D. checks should be credited to account No. 49, "Loss and damage," in accordance with the text of that account. The propriety of including delayed income items in profit and loss account No. 404, "Delayed income credits," or account No. 416, "Delayed income debits," can be determined only on presentation of full particulars to the Commission, whose approval must be obtained before such adjustments can be made.

CASE 52.

Query. This company is carrying as a liability a balance, representing over-accrued taxes during the period extending from July 1, 1908, to June 30, 1913, due to changes in method of taxation, etc., not thoroughly understood at the time. To what account should be credited this balance of overestimated tax liability?

Answer. Overestimated tax accruals determined during the fiscal year shall be adjusted through the proper tax account. The propriety of including delayed income items in profit and loss account No. 404, "Delayed income credits," or account No. 416, "Delayed income debits," can be determined only on presentation of full particulars to the Commission, whose approval must be obtained before such adjustments can be made.

CASE 53.

Query. To what account shall be credited the amount of C. O. D. revenue overcharges when found to be unrefundable?

Answer. To account No. 405, "Unrefundable overcharges."

CASE 54.

Query. This company is carrying as a liability a balance of unrefundable overcharges on shipments made prior to July 1, 1914. To what account should be credited this balance representing revenue overcharges?

Answer. The amount shall be credited to account No. 405, "Unrefundable overcharges." Since July 1, 1914, it has been required that this account shall include the amount of the revenue overcharges found to be unrefundable during the current fiscal year.

CASE 55.

Query. To what account shall be credited items comprising overcollections made by the carrier on amounts due to shippers for C. O. D. shipments?

Answer. To account No. 406, "Miscellaneous profit and loss credits."

CASE 56.

Query. To what account shall be credited the amount received by a carrier for the surrender of an unexpired lease for offices occupied by it?

Answer. It shall be credited to account No. 406, "Miscellaneous profit and loss credits."

CASE 57.

Query. County scrip which will be accepted at face value in payment of taxes is purchased at a discount. How shall it be carried in the balance sheet, and in what accounts shall the profit be included when the scrip is used?

Answer. The scrip shall be carried at cost. When it is used in the payment of taxes the profit shall be credited to account No. 406, "Miscellaneous profit and loss credits."

CASE 58.

Query. This company is carrying as a liability a balance representing unclaimed wages due on pay rolls, covering a period from January 1, 1906, to June 30, 1913. To what account should be credited this balance?

Answer. If the company chooses to close the liability account for unclaimed wages, the balance shall be credited to account No. 406, "Miscellaneous profit and loss credits."

CASE 59.

Query. To what account shall be credited amounts received from anonymous sources and ordinarily designated as "conscience money"?

Answer. Unless the remittances indicate that the payments are assignable to the revenue, expense, or income accounts, such payments shall be credited to account No. 406, "Miscellaneous profit and loss credits."

CASE 60.

Query. How may a carrier make adjustment of the differences, due to insufficient charges for depreciation, between the value of buildings and fixtures used in operation as carried in its property account and the actual value of the buildings and fixtures as ascertained by an appraisal?

Answer. If a carrier's accounts prior to July 1, 1914, the effective date of the depreciation account in the Uniform System of Accounts, show insufficient charges for depreciation on buildings and fixtures used in operation, and a carrier elects to make an adjustment so that the property account "Buildings" shall in fact reflect the cost of buildings and fixtures used in operation, and the depreciation accounts reflect the full amount of depreciation accrued on such property from the beginning of its life, such adjustment for depreciation prior to July 1, 1914, shall be made through Profit and Loss.

Advice as to the proper disposition of differences due to insufficient charges for depreciation after July 1, 1914, will be given by the Commission upon receipt of particulars of such discrepancies.

CASE 61.

Query. To what account shall be charged penalties paid to public authorities for violation of the 28-hour stock law?

Answer. They shall be charged to account No. 417, "Miscellaneous profit and loss debits."

CASE 62.

Query. What account shall be charged with United States Government fines imposed by the collector of customs for the delivery of goods in bond directly to the consignee, instead of to the collector of the port?

Answer. They shall be charged to account No. 417, "Miscellaneous profit and loss debits."

CASE 63.

Query. To what account shall be charged the amount of a judgment, including court costs, in an action of the United States against a carrier on account of defective appliances on cars?

Answer. It shall be charged to account No. 417, "Miscellaneous profit and loss debits."

CASE 64.

Query. May the adjustment of material accounts to the basis of inventories be deferred to a period subsequent to the year in which the inventories are taken?

Answer. Such adjustments shall be made in the accounts of the year in which the inventories are taken.

CASE 65.

Query. In adjusting material accounts to the basis of inventory, what account or accounts shall be credited or debited?

Answer. Determined differences in accounting for important classes of materials are ordinarily assignable to discrepancies in charges to particular accounts since the last inventory and shall be adjusted accordingly. Other differences shall be apportioned among the primary expense accounts on the basis of the material charges to them since the last inventory.

CASE 66.

Query. What shall be the accounting for the expense of repairs to used office furniture and fixtures carried in the material and supplies accounts?

Answer. When used furniture and fixtures have been charged to the material and supplies account at depreciated value, the cost of the repairs shall be charged to account No. 512, "Material and supplies."

CASE 67.

Query. What shall be the accounting for commissions paid to brokers for the purchase of the securities of other companies?

Answer. The amount of such commissions shall be considered as a part of the cost of the securities purchased.

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Accounting Bulletin No. 14

INTERPRETATIONS
OF
ACCOUNTING CLASSIFICATIONS
EMBODIED IN THE
UNIFORM SYSTEM OF ACCOUNTS
FOR
ELECTRIC RAILWAYS
PRESCRIBED BY THE
INTERSTATE COMMERCE COMMISSION
IN ACCORDANCE WITH SECTION 20 OF THE
ACT TO REGULATE COMMERCE

Effective on May 1, 1917

(Supersedes Accounting Bulletin No. 9)



WASHINGTON
GOVERNMENT PRINTING OFFICE
1917

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ORDER.

At a General Session of the INTERSTATE COMMERCE COMMISSION, held at its office in Washington, D. C., on the 2nd day of April, A. D. 1917.

The subject of a Uniform System of Accounts to be prescribed for and kept by carriers being under consideration, the following order was entered:

It is ordered, That the interpretations of the accounting classifications contained in the Uniform System of Accounts for Electric Railways, prepared under the direction of this Commission and embodied in printed form to be hereafter known as Accounting Bulletin No. 14, a copy of which is now before this Commission, be, and the same is hereby, approved; that a copy thereof duly authenticated by the Secretary of the Commission be filed in its archives, and a second copy thereof, in like manner authenticated, in the office of the Division of Carriers' Accounts; and that each of said copies so authenticated and filed shall be deemed an original record thereof.

It is further ordered, That the accounting methods directed in the interpretations contained in the said Accounting Bulletin No. 14 be, and they are hereby, prescribed for the use of electric railways subject to the provisions of the act to regulate commerce, as amended, in the keeping and recording of their accounts.

It is further ordered, That May 1, 1917, be, and it is hereby, fixed as the date on which the said Accounting Bulletin No. 14 shall become effective.

By the Commission.

[SEAL.]

GEORGE B. MCGINTY,
Secretary.

INTRODUCTORY LETTER.

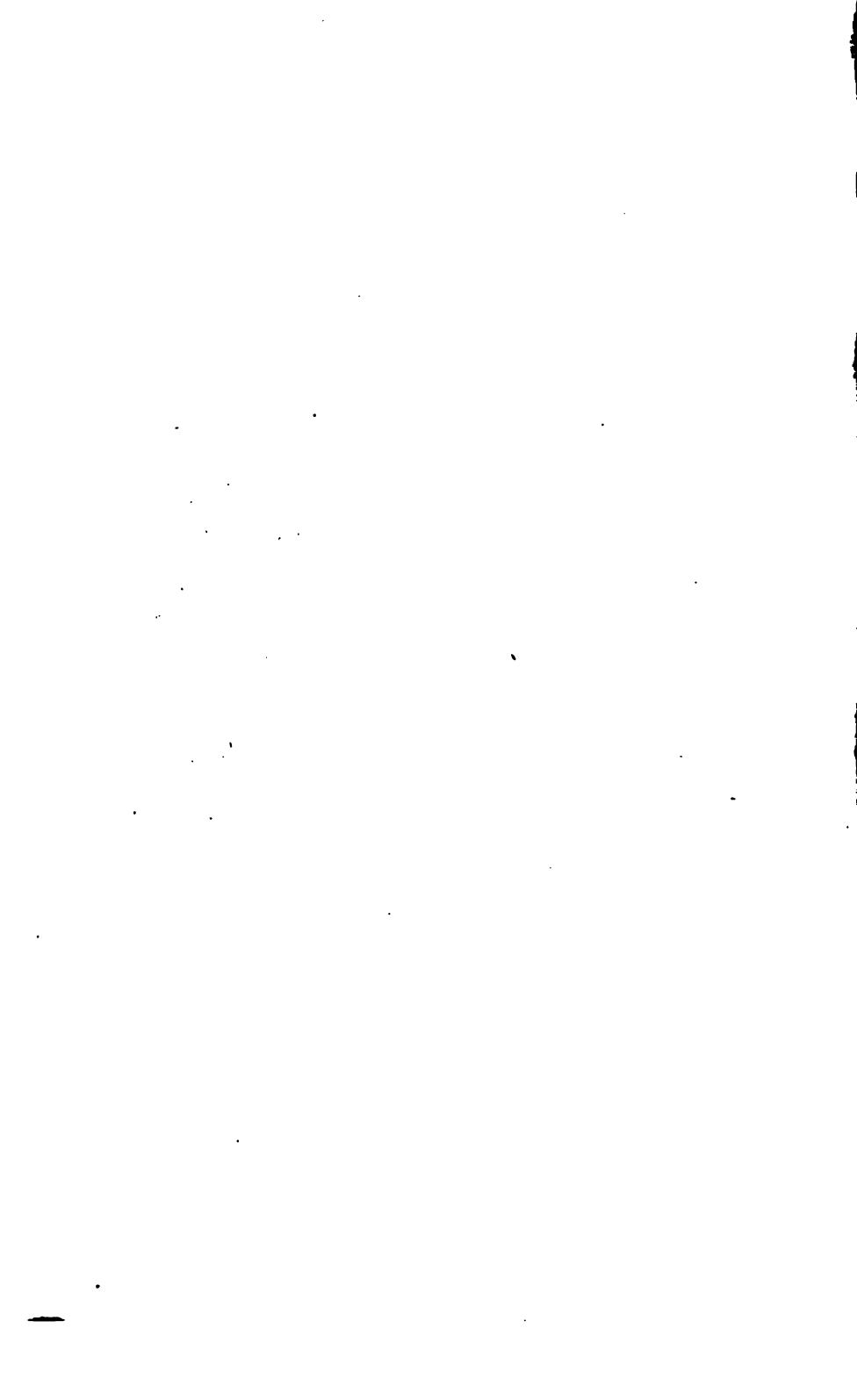
INTERSTATE COMMERCE COMMISSION,
DIVISION OF CARRIERS' ACCOUNTS,
Washington, April 2, 1917.

TO ACCOUNTING OFFICERS OF ELECTRIC RAILWAYS:

This accounting bulletin contains the interpretations of the classifications embodied in the Uniform System of Accounts for Electric Railways as they appeared in Accounting Bulletin No. 9, effective July 1, 1915, together with the interpretations which have been made since that date. It seems desirable to bring the latter-mentioned interpretations to the attention of accounting officers, and, for convenience, all interpretations made to date are included in this bulletin, which now supersedes Bulletin No. 9.

In the preparation of this bulletin, the Commission has had the cooperation of the Committee on a Standard Classification of Accounts of the American Electric Railway Accountants' Association.

FRED W. SWENEY,
Chief Examiner of Accounts.



INTERSTATE COMMERCE COMMISSION ACCOUNTING BULLETIN NO. 14.

QUESTIONS AND ANSWERS.

CASE 1.

Query. Is it permissible for electric railways to renumber the primary accounts of the various classifications for their own convenience, provided the Interstate Commerce Commission numbers are maintained for proper reference and report?

Answer. It is permissible for electric railways to renumber the primary accounts of the various classifications for their own convenience. For the sake of uniformity, however, it is recommended that the account numbers of the classifications be used. It is suggested that companies of Class B and Class C, in numbering their operating expense accounts, combine the numbers used in the text of the classification of operating expenses; for example, the text for the account "Maintenance of track and roadway" for companies of Class B is covered by accounts Nos. 2 to 12, inclusive, and the suggested number would be 2/12; the text for account "Maintenance of way" for companies of Class C is covered by accounts Nos. 2 to 19, inclusive, and the suggested number would be 2/19.

CASE 2.

Query. Is it proper to charge assessments for construction and maintenance of paving to income account No. 215, "Taxes assignable to railway operations"?

Answer. No. Account No. 511, "Paving," in the classification for road and equipment accounts provides for the cost of paving incident to original track construction, while account No. 10, "Paving," in the classification of operating expenses provides for repairs of such paving. (*See Cases 85 and 161.*)

CASE 3.

Query. Are carriers required to keep subaccounts for paragraphs (e) to (f) under account No. 22, "Distribution system," of the classification of operating expenses; or will it be satisfactory to show the cost in total under this account?

Answer. The Commission does not require the subdivision of account No. 22, "Distribution system," but any carrier desiring to do so may make subdivisions, and keep corresponding subprimary accounts, provided they do not impair the integrity of the account prescribed.

CASE 4.

Query. To what account should an electric railway charge the wages of employees, and the cost of repairs, fuel, water, lubricants, and waste, incident to the operation of a steam locomotive and of gasoline and steam motor cars used regularly as rail equipment?

Answer. If the equipment is used in revenue service, the wages of employees shall be charged to operating expense account No. 75, "Operation of steam locomotives."

The cost of repairs to the steam locomotive and to the locomotive features of gasoline and steam motor cars shall be charged to account No. 34, "Locomotives," and the cost of repairs to the car features of the motor cars shall be charged to account No. 30, "Passenger and combination cars," or account No. 31, "Freight, express, and mail cars," as may be appropriate.

The cost of fuel, water, lubricants, and waste shall be charged to account No. 75, "Operation of steam locomotives."

If the steam locomotive and the motor cars are used in nonrevenue service, the expenses shall be accounted for in the same manner as those for service cars. (*See Case 182.*)

CASE 5.

Query. Should motors for air governors and pumps on cars be regarded as part of the electrical equipment, and the cost of repairs thereof be charged to account No. 38, "Electric equipment of cars"?

Answer. No. The electric equipment of cars includes the electric motive equipment and wiring. The term "car" includes the car body and trucks, electric bells and wiring, electric heaters and wiring, electric lights and wiring, and air-brake equipment and wiring. Repairs to motors for air governors and pumps on cars shall, therefore, be charged to operating expense account No. 30, "Passenger and combination cars"; No. 31, "Freight, express, and mail cars"; No. 32, "Service equipment"; or No. 34, "Locomotives."

CASE 6.

Query. Are electric railways at liberty to open clearing accounts for store expenses and apportion them on a basis of material issues? If so, should only the amounts chargeable to Operating Expenses be charged to account No. 95, "Store expenses," and so reported to the Commission; or should this account also include expenses incurred in connection with material issued for construction and betterments?

Answer. Electric railways are at liberty to open clearing accounts for store expenses and apportion the amounts charged thereto. The total amount chargeable to Operating Expenses shall be charged to account No. 95, "Store expenses." Account No. 95 should not include expenses incurred primarily in connection with material issued for construction or for additions and betterments.

Carriers are at liberty to distribute for their own purposes items covered by this account to other operating expense accounts affected, but in their reports to the Commission the entire amount of store expenses chargeable to Operating Expenses shall be reported under account No. 95. (*See Case 354.*)

CASE 7.

Query. Please explain the various accounts "Other operations—Dr." and "Cr.," contained in the classification of operating expenses.

In connection with these accounts, it is understood that account No. 58, "Power purchased," shall show the total amount expended for this purpose, and that the amounts used for lighting shops, carhouses, etc., may be charged to the accounts affected and offsetting credits made to account No. 61, "Power transferred—Credit." Is this correct?

Answer. The accounts "Other operations—Dr." and "Other operations—Cr." are to be used by electric railways which engage in other lines of business, such as the production of power and light for sale. The proportion of operating expense chargeable to the light or other departments shall be credited to the various accounts "Other operations—Cr."

The cost of producing power, irrespective of the manner in which it is used, shall be included in the primary accounts of the railway department. Account No. 60, "Power purchased," covers the cost of power purchased from other companies.

Account No. 61, "Power transferred—Credit," the use of which is optional, may be credited with that proportion of the total of the accounts under the general account Power which the power used for lighting, heating, or other purposes in shops, carhouses, etc., bears to the total power generated and purchased.

CASE 8.

Query. To what account should be charged rent paid for land on which is located a carhouse used as a regular operating carhouse?

Answer. To income account No. 217, "Miscellaneous rents."

CASE 9.

Query. Account No. 550, "Miscellaneous," in the classification for road and equipment, covers, among other things, the cost of preparing and issuing stock certificates and expenses incurred in the disposal of securities. Will it be correct to charge to this account expenses of this nature when they relate to the issuance of bonds by an operating electric railway company for construction and for additions and betterments?

Answer. No. Expenses incident to the issue and sale of bonds shall be handled in accordance with instructions contained in section 3, page 76, of the Uniform System of Accounts for Electric Railways.

CASE 10.

Query. Please explain account No. 87, "Relief department expenses." Also please advise to what account should be charged an employee's wages paid while he is suffering from an injury and is not able to work.

Answer. Account No. 87, "Relief department expenses," is intended to include the cost of operation of and contributions to a relief department or association. Wages paid to an employee while he is disabled by an injury shall be charged to account No. 92, "Injuries and damages," if the injury occurred while the employee was on duty or if the company was responsible. Voluntary contributions made to employees or families of employees on account of sickness or other disability shall be charged to account No. 88, "Pensions and gratuities." (See Cases 52, 110, 111, and 145.)

CASE 11.

Query. We have installed in our different carhouses some large storage tanks for compressed air. The compressed air is used in filling air tanks on cars for the operation of brakes. To what account should we charge the maintenance and operation of the storage tanks?

Answer. The cost of maintenance shall be charged to account No. 36, "Shop equipment," and the cost of operation to account No. 67, "Miscellaneous car-service expenses."

CASE 12.

Query. To what account should be charged the cost of printing expense bills, balance sheets, and other stationery used in the handling of express and freight business incident to the operation of an electric railway?

To what account should be charged printing and stationery used by clerks whose salaries are charged to account No. 1, "Superintendence of way and structures"; account No. 29, "Superintendence of equipment"; account No. 45, "Superintendence of power"; and account No. 68, "Superintendence of transportation"?

To what account should be charged the cost of printing conductors' daily reports (trip sheets) and shortage notices?

Answer. The cost of expense bills, balance sheets, and all other stationery named above shall be charged to account No. 94, "Stationery and printing." By referring to the notes under account No. 94 it will be found that carriers are at liberty to distribute items included therein but that all reports to the Commission must agree with the accounts which are prescribed.

CASE 13.

Query. We have on our lines foreign cars on which we pay a per diem charge. To what account should an expense of this nature be charged? To what account should be charged the maintenance of such cars while on our tracks?

Answer. Per diem on foreign cars shall be charged to account No. 96, "Rent of equipment," and the maintenance of such cars while on your tracks to account No. 30, "Passenger and combination cars"; No. 31, "Freight, express, and mail cars"; No. 32, "Service equipment"; or No. 33, "Electric equipment of cars," as may be appropriate. (See Case 133.)

CASE 14.

Query. We have electric cars equipped and used as pile driver, steam shovel, concrete mixer, and stone crusher. To what accounts should be charged the maintenance of these cars and the machinery?

Answer. The maintenance of such cars and machinery shall be charged as may be appropriate to account No. 32, "Service equipment," or account No. 33, "Electric equipment of cars," except when the cars are used on work not chargeable to Operating Expenses. (See Case 131.)

CASE 15.

Query. To what account should an electric railway charge commissions and wages paid for the sale of school and other tickets at various stores along the line?

Answer. If the tickets are sold at stores which can be considered stations, charge commissions and wages paid to account No. 68, "Station employees"; if the stores can not be considered stations, charge to account No. 79, "Superintendence and solicitation."

CASE 16.

Query. To what account should be charged the salary and expenses of a supervising engineer in charge of the construction of a new line and buildings, and of the installation of machinery in power plants? It is not clear to us

whether these expenses should be charged to account No. 501, "Engineering and superintendence," or charged directly to the account for which incurred, in accordance with Note A.

Answer. If the engineer has direct supervision over all the work in connection with the construction of a new line, it will probably not be possible to apportion his salary and expenses among the various construction accounts. Charges shall, therefore, be made to account No. 501, "Engineering and superintendence," in the classification for road and equipment.

Note A, under account No. 501, provides that, whenever it is possible, the expenses shall be charged directly to the account for which they are incurred, as, for example, "Power plant buildings" or "Shops and carhouses." However, it is not the intention to insist upon any undue refinement in accounting for such matters.

CASE 17.

Query. We note that the accounts "Interest and discount" and "Taxes," formerly carried by many companies in their general expenses, have been dropped from the operating expenses in the Uniform System of Accounts. What is the proper accounting for such items?

Answer. Interest, discount, and taxes, arising in connection with operations, shall be included in the appropriate accounts of the income classification. Interest in connection with expenditures for road and equipment shall be included in primary account No. 547, "Interest during construction."

CASE 18.

Query. This company's tower wagon is frequently used in connection with the construction of electric lines along new tracks, and it has been our custom to credit to "Stable expenses" the cost of the service. Is this correct?

Answer. The expenses of repair or tower wagons which are frequently used in construction work shall be apportioned between maintenance and construction accounts in accordance with the use to which the wagons are put. If expenses properly chargeable to construction are included in account No. 38, "Vehicles and horses," or account No. 93, "Garage and stable expenses," these accounts shall be credited and the appropriate construction account charged.

CASE 19.

Query. A railway company's shop performs services properly chargeable to various construction accounts and to other companies and persons. To what account should be credited the overhead expense added to the cost of labor and material to cover a portion of miscellaneous shop and storeroom expenses?

Answer. Such expense shall be credited to the proper accounts under Operating Expenses.

CASE 20.

Query. To what accounts should charges be made for—

(1) Rents paid for the right to locate tracks and to operate cars on private property.

(2) Amounts paid periodically for privilege of locating poles on private property for high-tension lines.

(3) Amounts paid periodically to municipalities for the right to operate cars on and across streets.

(4) Amounts paid periodically to boards of public works and county officers for the right to operate cars on and across public highways.

Answer. (1) Charge to account No. 217, "Miscellaneous rents."



INTERSTATE COMMERCE COMMISSION ACCOUNTING BULLETIN NO. 14.

QUESTIONS AND ANSWERS.

CASE 1.

Query. Is it permissible for electric railways to renumber the primary accounts of the various classifications for their own convenience, provided the Interstate Commerce Commission numbers are maintained for proper reference and report?

Answer. It is permissible for electric railways to renumber the primary accounts of the various classifications for their own convenience. For the sake of uniformity, however, it is recommended that the account numbers of the classifications be used. It is suggested that companies of Class B and Class C, in numbering their operating expense accounts, combine the numbers used in the text of the classification of operating expenses; for example, the text for the account "Maintenance of track and roadway" for companies of Class B is covered by accounts Nos. 2 to 12, inclusive, and the suggested number would be 2/12; the text for account "Maintenance of way" for companies of Class C is covered by accounts Nos. 2 to 19, inclusive, and the suggested number would be 2/19.

CASE 2.

Query. Is it proper to charge assessments for construction and maintenance of paving to income account No. 215, "Taxes assignable to railway operations"?

Answer. No. Account No. 511, "Paving," in the classification for road and equipment accounts provides for the cost of paving incident to original track construction, while account No. 10, "Paving," in the classification of operating expenses provides for repairs of such paving. (*See Cases 85 and 161.*)

CASE 3.

Query. Are carriers required to keep subaccounts for paragraphs (e) to (f) under account No. 22, "Distribution system," of the classification of operating expenses; or will it be satisfactory to show the cost in total under this account?

Answer. The Commission does not require the subdivision of account No. 22, "Distribution system," but any carrier desiring to do so may make subdivisions, and keep corresponding subprimary accounts, provided they do not impair the integrity of the account prescribed.

CASE 4.

Query. To what account should an electric railway charge the wages of employees, and the cost of repairs, fuel, water, lubricants, and waste, incident to the operation of a steam locomotive and of gasoline and steam motor cars used regularly as rail equipment?

Answer. If the equipment is used in revenue service, the wages of employees shall be charged to operating expense account No. 75, "Operation of steam locomotives."

The cost of repairs to the steam locomotive and to the locomotive features of gasoline and steam motor cars shall be charged to account No. 34, "Locomotives," and the cost of repairs to the car features of the motor cars shall be charged to account No. 30, "Passenger and combination cars," or account No. 31, "Freight, express, and mail cars," as may be appropriate.

The cost of fuel, water, lubricants, and waste shall be charged to account No. 75, "Operation of steam locomotives."

If the steam locomotive and the motor cars are used in nonrevenue service, the expenses shall be accounted for in the same manner as those for service cars. (*See Case 182.*)

CASE 5.

Query. Should motors for air governors and pumps on cars be regarded as part of the electrical equipment, and the cost of repairs thereof be charged to account No. 38, "Electric equipment of cars"?

Answer. No. The electric equipment of cars includes the electric motive equipment and wiring. The term "car" includes the car body and trucks, electric bells and wiring, electric heaters and wiring, electric lights and wiring, and air-brake equipment and wiring. Repairs to motors for air governors and pumps on cars shall, therefore, be charged to operating expense account No. 30, "Passenger and combination cars"; No. 31, "Freight, express, and mail cars"; No. 32, "Service equipment"; or No. 34, "Locomotives."

CASE 6.

Query. Are electric railways at liberty to open clearing accounts for store expenses and apportion them on a basis of material issues? If so, should only the amounts chargeable to Operating Expenses be charged to account No. 95, "Store expenses," and so reported to the Commission; or should this account also include expenses incurred in connection with material issued for construction and betterments?

Answer. Electric railways are at liberty to open clearing accounts for store expenses and apportion the amounts charged thereto. The total amount chargeable to Operating Expenses shall be charged to account No. 95, "Store expenses." Account No. 95 should not include expenses incurred primarily in connection with material issued for construction or for additions and betterments.

Carriers are at liberty to distribute for their own purposes items covered by this account to other operating expense accounts affected, but in their reports to the Commission the entire amount of store expenses chargeable to Operating Expenses shall be reported under account No. 95. (*See Case 354.*)

CASE 7.

Query. Please explain the various accounts "Other operations—Dr." and "Cr.," contained in the classification of operating expenses.

In connection with these accounts, it is understood that account No. 59, "Power purchased," shall show the total amount expended for this purpose, and that the amounts used for lighting shops, carhouses, etc., may be charged to the accounts affected and offsetting credits made to account No. 61, "Power transferred—Credit." Is this correct?

Answer. The accounts "Other operations—Dr." and "Other operations—Cr." are to be used by electric railways which engage in other lines of business, such as the production of power and light for sale. The proportion of operating expense chargeable to the light or other departments shall be credited to the various accounts "Other operations—Cr."

The cost of producing power, irrespective of the manner in which it is used, shall be included in the primary accounts of the railway department. Account No. 60, "Power purchased," covers the cost of power purchased from other companies.

Account No. 61, "Power transferred—Credit," the use of which is optional, may be credited with that proportion of the total of the accounts under the general account Power which the power used for lighting, heating, or other purposes in shops, carhouses, etc., bears to the total power generated and purchased.

CASE 8.

Query. To what account should be charged rent paid for land on which is located a carhouse used as a regular operating carhouse?

Answer. To income account No. 217, "Miscellaneous rents."

CASE 9.

Query. Account No. 550, "Miscellaneous," in the classification for road and equipment, covers, among other things, the cost of preparing and issuing stock certificates and expenses incurred in the disposal of securities. Will it be correct to charge to this account expenses of this nature when they relate to the issuance of bonds by an operating electric railway company for construction and for additions and betterments?

Answer. No. Expenses incident to the issue and sale of bonds shall be handled in accordance with instructions contained in section 3, page 76, of the Uniform System of Accounts for Electric Railways.

CASE 10.

Query. Please explain account No. 87, "Relief department expenses." Also please advise to what account should be charged an employee's wages paid while he is suffering from an injury and is not able to work.

Answer. Account No. 87, "Relief department expenses," is intended to include the cost of operation of and contributions to a relief department or association. Wages paid to an employee while he is disabled by an injury shall be charged to account No. 92, "Injuries and damages," if the injury occurred while the employee was on duty or if the company was responsible. Voluntary contributions made to employees or families of employees on account of sickness or other disability shall be charged to account No. 88, "Pensions and gratuities." (See Cases 88, 110, 111, and 145.)

CASE 11.

Query. We have installed in our different carhouses some large storage tanks for compressed air. The compressed air is used in filling air tanks on cars for the operation of brakes. To what account should we charge the maintenance and operation of the storage tanks?

Answer. The cost of maintenance shall be charged to account No. 36, "Shop equipment," and the cost of operation to account No. 67, "Miscellaneous car-service expenses."

CASE 12.

Query. To what account should be charged the cost of printing expense bills, balance sheets, and other stationery used in the handling of express and freight business incident to the operation of an electric railway?

To what account should be charged printing and stationery used by clerks whose salaries are charged to account No. 1, "Superintendence of way and structures"; account No. 29, "Superintendence of equipment"; account No. 45, "Superintendence of power"; and account No. 68, "Superintendence of transportation"?

To what account should be charged the cost of printing conductors' daily reports (trip sheets) and shortage notices?

Answer. The cost of expense bills, balance sheets, and all other stationery named above shall be charged to account No. 94, "Stationery and printing." By referring to the notes under account No. 94 it will be found that carriers are at liberty to distribute items included therein but that all reports to the Commission must agree with the accounts which are prescribed.

CASE 13.

Query. We have on our lines foreign cars on which we pay a per diem charge. To what account should an expense of this nature be charged? To what account should be charged the maintenance of such cars while on our tracks?

Answer. Per diem on foreign cars shall be charged to account No. 98, "Rent of equipment," and the maintenance of such cars while on your tracks to account No. 30, "Passenger and combination cars"; No. 81, "Freight, express, and mail cars"; No. 32, "Service equipment"; or No. 33, "Electric equipment of cars," as may be appropriate. (See Case 133.)

CASE 14.

Query. We have electric cars equipped and used as pile driver, steam shovel, concrete mixer, and stone crusher. To what accounts should be charged the maintenance of these cars and the machinery?

Answer. The maintenance of such cars and machinery shall be charged as may be appropriate to account No. 32, "Service equipment," or account No. 33, "Electric equipment of cars," except when the cars are used on work not chargeable to Operating Expenses. (See Case 131.)

CASE 15.

Query. To what account should an electric railway charge commissions and wages paid for the sale of school and other tickets at various stores along the line?

Answer. If the tickets are sold at stores which can be considered stations, charge commissions and wages paid to account No. 68, "Station employees"; if the stores can not be considered stations, charge to account No. 79, "Superintendence and solicitation."

CASE 16.

Query. To what account should be charged the salary and expenses of a supervising engineer in charge of the construction of a new line and buildings, and of the installation of machinery in power plants? It is not clear to us

whether these expenses should be charged to account No. 501, "Engineering and superintendence," or charged directly to the account for which incurred, in accordance with Note A.

Answer. If the engineer has direct supervision over all the work in connection with the construction of a new line, it will probably not be possible to apportion his salary and expenses among the various construction accounts. Charges shall, therefore, be made to account No. 501, "Engineering and superintendence," in the classification for road and equipment.

Note A, under account No. 501, provides that, whenever it is possible, the expenses shall be charged directly to the account for which they are incurred, as, for example, "Power plant buildings" or "Shops and carhouses." However, it is not the intention to insist upon any undue refinement in accounting for such matters.

CASE 17.

Query. We note that the accounts "Interest and discount" and "Taxes," formerly carried by many companies in their general expenses, have been dropped from the operating expenses in the Uniform System of Accounts. What is the proper accounting for such items?

Answer. Interest, discount, and taxes, arising in connection with operations, shall be included in the appropriate accounts of the income classification. Interest in connection with expenditures for road and equipment shall be included in primary account No. 547, "Interest during construction."

CASE 18.

Query. This company's tower wagon is frequently used in connection with the construction of electric lines along new tracks, and it has been our custom to credit to "Stable expenses" the cost of the service. Is this correct?

Answer. The expenses of repair or tower wagons which are frequently used in construction work shall be apportioned between maintenance and construction accounts in accordance with the use to which the wagons are put. If expenses properly chargeable to construction are included in account No. 98, "Vehicles and horses," or account No. 96, "Garage and stable expenses," these accounts shall be credited and the appropriate construction account charged.

CASE 19.

Query. A railway company's shop performs services properly chargeable to various construction accounts and to other companies and persons. To what account should be credited the overhead expense added to the cost of labor and material to cover a portion of miscellaneous shop and storeroom expenses?

Answer. Such expense shall be credited to the proper accounts under Operating Expenses.

CASE 20.

Query. To what accounts should charges be made for—

(1) Rents paid for the right to locate tracks and to operate cars on private property.

(2) Amounts paid periodically for privilege of locating poles on private property for high-tension lines.

(3) Amounts paid periodically to municipalities for the right to operate cars on and across streets.

(4) Amounts paid periodically to boards of public works and county officers for the right to operate cars on and across public highways.

Answer. (1) Charge to account No. 217, "Miscellaneous rents."

(2) Charge to account No. 49, "Transmission system."

(3) and (4) Charge to account No. 215, "Taxes assignable to railway operations," in the income classification.

CASE 21.

Query. To what account or accounts should be credited charges made against operation and construction accounts for electricity furnished by an electric railway company for the use of its shop motors, carhouse lighting, running of construction cars engaged in company service such as building new tracks, etc.?

Answer. The classification of operating expenses does not require a segregation of the cost of power to shops, carhouses, etc., although account No. 61, "Power transferred—Credit," the use of which is optional, is provided for use if such segregation is desired.

The Commission's order provides on page 6 of the Uniform System of Accounts that any carrier may "keep any temporary or experimental accounts the purpose of which is to develop the efficiency of operation: Provided, however, that such temporary or experimental accounts shall not impair the integrity of any primary account hereby prescribed." It is therefore permissible for any carrier to ascertain for its own information the cost of power used at shops or carhouses.

The actual cost of power used in operating work cars for construction purposes, such as building new tracks, etc., is properly chargeable to construction accounts, and proper credit shall be given to operating expense general account VII, Transportation for Investment—Cr. (See Case 59.)

CASE 22.

Query. A large percentage of the purchases made by the purchasing department of this company is for construction and betterment purposes. Would it be permissible to charge to the appropriate road and equipment accounts such a proportion of the salaries and expenses of that department as would fairly represent the expense of the purchases made primarily for such construction and betterments?

Answer. The classification of operating expenses is intended to cover operating expenses only, and it is proper to charge to the appropriate road and equipment accounts such a proportion of the salaries and expenses of purchasing agents and assistants as would fairly represent the expense of the purchases made for such construction and betterment. In the consideration of this question account No. 95, "Store expenses," should not be overlooked. (See Case 6.)

CASE 23.

Query. A company conducting a railway, power, and light business carries its general accounts in the power and light department. A monthly charge for power is made to the street railway department and to the light department. Are the monthly charges for power to the light and street railway departments satisfactory? Is a single balance sheet for the entire business permissible?

Answer. Each company conducting a railway, power, and light business shall include all expenses incident to the production of power used by the railway, power, and light departments in primary accounts Nos. 45 to 62, inclusive, under the general account Power. The proportion of the cost of such power assignable to the power and light departments shall be cleared through primary account No. 62, "Other operations—Cr.," in accordance with instructions contained in section 4, page 17, of the Uniform System of Accounts for Electric Railways.

The Commission has not prescribed a classification of revenues and expenses for auxiliary operations of electric railways.

One balance sheet is all that is necessary for the entire business described in this query.

CASE 24.

Query. To what account should be charged payments made to the Government, on the basis of a specific charge per passenger, for the privilege of stringing wires and operating cars over a public bridge?

Answer. To account No. 215, "Taxes assignable to railway operations." (See Cases 67 and 163.)

CASE 25.

Query. What disposition should be made of custom labor or labor of employees in various departments on work entirely outside of railway operation, for which the railroad is reimbursed the wages of the employees, together with the profit on same and the general shop expenses?

What disposition should be made of profits on new material sold to some outside concern from storeroom stock which has been handled in sales account?

Answer. Assuming that the amount involved in the custom labor account is small, and that the expenses have been charged to operating accounts, items covering labor performed for outside parties, together with the percentage added for profit and general shop expenses, shall be debited to account No. 410, "Miscellaneous accounts receivable," and credited to the operating expense accounts originally charged.

The profit from the sales account shall be credited to account No. 212, "Miscellaneous income."

CASE 26.

Query. To what accounts should be charged the cost of new structures and general improvements in a free private park owned by the carrier, and the maintenance expenses of such a park?

Answer. The cost of new structures and improvements of a substantial character shall be charged to account No. 526, "Park and resort property," in the classification for road and equipment.

Maintenance expenses shall be charged to operating expense account No. 81, "Park, resorts, and attractions."

CASE 27.

Query. A company organized for purely local street railway business and having no electric-light or gas department and no joint arrangement with any other company in the operation of cars, requests information as to the manner in which the accounts "Other operations—Dr." and "Other operations—Cr." in various parts of the classification of operating expenses would enter into its records.

Answer. From the foregoing statement it is evident that the company will not require the accounts "Other operations—Dr." and "Other operations—Cr." It is not expected that a carrier will keep on its books any accounts for which it has no need.

CASE 28.

Query. A light and traction company operates gas, electric-light, and street railway properties. The operating expenses of the three coordinate departments are kept entirely separate, except the general expenses, consisting of

clerical salaries, rent, and office supplies. Will it be satisfactory to the Commission if the company should continue carrying expenses of this character in one account covering all departments?

Answer. Yes, provided such account is reported in detail, according to the primary accounts provided under General and Miscellaneous in the annual report form and the proportion chargeable to other departments is reported in account No. 100, "Other operations—Cr."

If the light department is accounted for as an auxiliary operation, the taxes on the property used by such department shall be charged to account No. 215, "Taxes assignable to railway operations." If the property used in the production of gas is carried in account No. 404, "Miscellaneous physical property," the taxes on such property shall be charged to account No. 205, "Net income from miscellaneous physical property," or No. 219, "Net loss on miscellaneous physical property," as may be appropriate. (*See Cases 188, 198, 300, 362.*)

CASE 29.

Query. We are charging to account No. 59, "Power purchased," the actual cost of electric current generated at our plant (gas, electric-light, and street railway property) and consumed by the railway department. Is this correct?

Answer. The practice above outlined is not in accordance with the requirements of the classification of operating expenses. All expenses incident to the production of power shall be charged to the appropriate primary accounts (Nos. 45 to 62, inclusive) under the railway department general account Power, and the amounts chargeable to the other departments, representing their proportions of the cost of power furnished, shall be cleared through account No. 62, "Other operations—Cr." Account No. 59, "Power purchased," is intended to include amounts paid for power purchased from other companies. (*See Case 28.*)

CASE 30.

Query. This company operates a sprinkler car for the purpose of sprinkling certain streets and highways on which our track is laid. The city in which this service is performed pays us, as its proportion of the cost of this service, from 15 to 20 cents per sprinkler car-mile run. Please advise to what accounts the corresponding debits and credits should be made.

Answer. The amount received from the city shall be credited to revenue account No. 100, "Miscellaneous transportation revenue."

If the service rendered is performed primarily for revenue purposes, the expense of operating the sprinkler car shall be charged to the appropriate expense accounts under the general account Conducting Transportation. If, however, the service is performed primarily for the benefit of the railway and the amount received from the city is only incidental, the expense of operating the sprinkler car shall be charged to operating expense account No. 11, "Cleaning and sanding track."

In either case the cost of repairing the car shall be charged to account No. 32, "Service equipment."

CASE 31.

Query. Is there not a conflict between account No. 511, "Paving," and account No. 516, "Crossings, fences, and signs," in the classification for road and equipment, so far as they refer to labor and material on crosswalks?

Answer. There is no conflict between the accounts mentioned. Account No. 511 embraces the expense of labor and material used in crosswalks constructed

in connection with paving on streets along which the electric road extends; while account No. 516 covers street and highway crossings at other points where it may be necessary to construct entirely new crossings or to provide crossings of an improved character over those previously existing.

CASE 32.

Query. To what operating expense account should be charged the cost of labor and material used in connection with the repair of overhead contacts installed in the trolley wire, and repair of wiring leading from the trolley to magnets, etc., which operate an electric track switch, a device for automatically doing the work of a switchman through the operation of the magnets?

Answer. The cost of material shall be charged to account No. 6, "Special work," and the cost of labor to account No. 8, "Track and roadway labor."

CASE 33.

Query. To what account should be charged an amount paid for rent of land on which a Y or switch is located?

Answer. To account No. 217, "Miscellaneous rents."

CASE 34.

Query. This company has an arrangement with telephone, telegraph, and electric-lighting companies, whereby it pays amounts for the privilege of making attachments to their poles for carrying its wires, and collects from them other amounts for attachments to its poles for carrying their cables and wires. To what accounts should the resulting debits and credits be made?

Answer. Charge the amounts paid to operating expense account No. 28, "Miscellaneous electric line expenses," or to No. 49, "Transmission system," according to the character of line, and credit the amounts received to revenue account No. 117, "Rent of buildings and other property."

CASE 35.

Query. To what account should be charged the cost of *material* used in the construction of a retaining wall for the protection of banks from high tides, it being understood that account No. 8, "Track and roadway labor," is intended to cover the cost of labor expended in such work?

Answer. Operating expense account No. 8, "Track and roadway labor," is intended to cover the cost of *labor* expended in "protecting banks by retaining walls, riprap, piling, piers, dikes, or other means." The cost of *material* used in connection with such work properly chargeable to Operating Expenses shall be charged to account No. 9, "Miscellaneous track and roadway expenses."

Expenditures of the above nature arising in connection with the construction of a new road shall be charged to account No. 504, "Grading," in the classification for road and equipment.

CASE 36.

Query. To what account should be charged rent of land used for storage of track material, part of which is for use in repairs of track, but most of which is for use in the construction of new track?

Answer. If the amount of the rent is considerable, it shall be apportioned upon an equitable basis, the proportion assignable to construction being in-

cluded in road and equipment account No. 529, "Other expenditures—Way and structures," and the proportion assignable to repairs included in income account No. 217, "Miscellaneous rents."

If it be impracticable to divide the rent as between construction and repairs, and the amount involved is small, the entire amount may be included in income account No. 217, "Miscellaneous rents."

CASE 37.

Query. This company owns a nine-story building. One-third of the ground floor is used for tracks for cars running into and out of the building, waiting room, ticket office, etc., and the remainder is rented for store purposes, concessions, etc. The general offices occupy about one floor, and the remaining floors are rented for office purposes. Should rents received from tenants be credited as operating revenues or as miscellaneous income?

Answer. Rents shall be credited to revenue account No. 117, "Rent of buildings and other property," if the expense of maintaining and operating the portions rented can not be separated from the expense of maintaining and operating the portion used by the railway company.

In case the expense of maintaining and operating the portions rented can be separated from the expense of maintaining and operating the portion used by the railway company, the rents received shall be included in income account No. 204, "Miscellaneous rent income," and not in Operating Revenues, and the expense of maintaining and operating the rented portions shall be charged against the rents received.

CASE 38.

Query. We are in doubt as to the proper account to be charged for trolley parts, namely, wheels, axles, washers, springs, harps, poles, bushings, etc., and for carbon brushes, carbons, headlight parts, etc. Should these items be charged to accounts Nos. 30 to 34, inclusive, or to account No. 67, "Miscellaneous car-service expenses"?

Answer. Trolley parts are to be considered as electric motive equipment and, if for repairs thereof, shall be charged to account No. 33, "Electric equipment of cars," or No. 34, "Locomotives," as may be appropriate. The first cost of such parts shall be charged to account No. 533, "Electric equipment of cars," or No. 534, "Locomotives."

Headlight parts for cars are to be considered as parts of the cars and, if for repairs, shall be charged to account No. 30, "Passenger and combination cars," No. 31, "Freight, express, and mail cars," or No. 32, "Service equipment," as may be appropriate. The first cost shall be charged to like accounts in Road and Equipment.

Carbons for electric-arc headlights and carbon brushes for motors of cars shall be charged to account No. 67, "Miscellaneous car-service expenses," to which account are chargeable only such items as do not pertain to maintenance of equipment.

The following indicates the line of demarcation between the electric equipment of a car and the car: "Electric equipment" of a car includes the electric *motive* equipment and wiring; the term "car" includes the car body and trucks, electric bells and wiring, electric heaters and wiring, electric lights and wiring, and air-brake equipment and wiring.

CASE 39.

Query. Are Classes B and C of electric railways required to keep all the accounts composing the classifications of road and equipment, operating revenue, income, profit and loss, and general balance-sheet accounts, as is required of Class A companies?

Answer. All electric railways subject to the jurisdiction of the Commission are required to keep their road and equipment, operating revenue, income, profit and loss, and general balance-sheet accounts under the same classifications, no condensed classification of such accounts being provided for companies of Class B or Class C.

CASE 40.

Query. What is meant by the term "car hours" as used in the mileage, traffic, and miscellaneous statistics of the form for annual report, particularly with reference to "passenger car hours"?

Answer. "Passenger car hours" include not only the actual time while in revenue service, but also the time consumed in running from carhouses to points where regular service is begun, time lost between trips, and time lost on account of delays caused by blockades, parades, etc. The entire time during which the cars are in charge of the motormen and conductors is to be reported as passenger car hours.

CASE 41.

Query. Is it permissible to apportion store and stable expenses among the water, light, and railway departments in proportion to the services rendered by the storeroom and the stables?

Answer. Yes. The proportion of store and stable expenses chargeable to the water and light departments shall be credited to account No. 100, "Other operations—Cr.," it being the intention that the "other operations" accounts shall apply in connection with all general and miscellaneous accounts.

Carriers are at liberty to distribute store and stable expenses of the railway department to the various operating expense accounts affected, but for the purpose of the annual reports the amounts distributed shall be reported under account No. 95, "Store expenses," and No. 96, "Garage and stable expenses," and such amounts eliminated from the accounts to which they were originally distributed.

In this connection attention is called to the fact that no portion of store expenses or stable expenses which is properly chargeable to Road and Equipment shall be included in accounts Nos. 95 and 96, as these accounts are intended to include operating expenses only. (See Case 6.)

CASE 42.

Query. A company is required by its franchise to widen one of the streets upon which it operates, and pay all expenses of excavating, moving back and resetting curbs, constructing new catch basins with sewer connections, adjusting all sidewalks and crosswalks disturbed, readjusting all pole lines, hydrants, etc., owned by other corporations, and laying a new asphalt pavement between the brick-paved railroad strip and the curbs. Would it be proper to consider this as an incidental cost of the road itself and chargeable to account No. 502, "Right of way"; or should the cost be charged to account No. 550, "Miscellaneous"?

Answer. The cost shall be charged to account No. 502, "Right of way," except cost of paving, which shall be charged to account No. 511, "Paving." (*See Cases 84 and 134.*)

CASE 43.

Query. Is it intended that account No. 24, "Buildings, fixtures, and grounds," shall be used solely for repairs of owned buildings, or may the cost of repairs to rented buildings be included?

Answer. Account No. 24, "Buildings, fixtures, and grounds," is intended to include cost of repairs of owned buildings or buildings held under long-term leases. The cost of repairs of buildings rented from month to month is not to be included in this account, but shall be charged to the account to which the rent is charged.

CASE 44.

Query. Should repairs to rented passenger waiting rooms where tickets are sold be charged to account No. 69, "Station expenses"?

Answer. Yes. (*See Case 43 respecting repairs to buildings held under long-term leases.*)

CASE 45.

Query. We have a contract with another carrier under which the other carrier provides cars and maintains them for the purpose of furnishing through service. While these cars are on our tracks we pay all expenses of operation.

The junction point is a fare limit. Each company collects fares for travel upon its own tracks. We retain all fares collected from passengers who travel only between points on our line, but we pay to the other company a certain part of the fares collected by our company from passengers who travel between points on our line and points beyond the junction. How shall we charge amounts paid under this contract?

Answer. As the payor receives only the use of equipment, the amounts so paid shall be charged to account No. 98, "Rent of equipment."

CASE 46.

Query. In account No. 519, "Poles and fixtures," in the classification for road and equipment is the statement "This account shall include the cost of * * brackets and other pole fixtures; * * structures for supporting the overhead electric construction." In account No. 521, "Distribution system," in the same classification, is the statement, "This account shall include the cost of labor and material used in constructing the distribution system, including * * overhead trolley lines, including cost of trolley, guard, span, strain, supplementary, and other wires." Since brackets used for supporting trolley wires are analogous to span wires, should not the cost of such brackets be charged to account No. 521, "Distribution system"?

Answer. Brackets used for supporting trolley wires are distinctly pole fixtures and shall be charged to account No. 519, "Poles and fixtures."

The phrase "structures for supporting the overhead electric construction" in account No. 519, is intended to cover such structures as steel catenary bridges, which are used by some railways to carry the double-track overhead lines and which have two side towers and a connecting truss built of light angles and channels.

CASE 47.

Query. Our master mechanic asks that we define the term "electric locomotive" in relation to the classification of operating expenses, his desire being to know whether the build of the machine or the use to which it is put governs. We have a machine with standard express car body, but with low-speed high-power motor equipment, which is used in handling ballast cars, flat cars, etc., in maintenance work, and sometimes in hauling such freight as lumber, wood, etc., in car lots.

Answer. In defining the term "electric locomotive" the build of the machine, rather than the use to which it is put, should govern. If it is so arranged that it can carry freight or passengers within itself it shall be considered a car.

This distinction seems necessary, as it frequently happens that regular passenger cars, freight cars, or work cars are used to haul other cars. To treat them as locomotives, when so used, would undoubtedly lead to confusion.

CASE 48.

Query. To what account in the classification for road and equipment should be charged the cost of electric headlights for passenger cars?

Answer. To account No. 530, "Passenger and combination cars." Account No. 533, "Electric equipment of cars," is intended to include only the electric motive equipment. (See Case 5.)

CASE 49.

Query. The classification of operating revenues provides in account No. 101, "Passenger revenue," under the caption Revenue from Transportation: "To this account shall be charged amounts paid for * * * tickets and transfers redeemed." In Note B it is provided that all tickets may be credited to an open account and this account charged when tickets are collected. In case tickets are redeemed, should they not be charged to the open account to which the sale has been credited?

Answer. When receipts from the sale of tickets are credited to a suspense account, that account shall also be charged with amounts paid for tickets redeemed.

CASE 50.

Query. Note B under revenue account No. 101, "Passenger revenue," states that the proceeds from the sale of mileage books are to be carried to that account as they are honored for transportation. We have always handled the sale of these tickets by crediting directly to revenue, the same as we would round-trip tickets. Is it required that interurban companies reporting to the Commission shall follow the directions in account No. 101?

To what account should be credited the value of coupons from mileage books which for any reason remain unrepresented?

Answer. It is not permissible to credit revenue account No. 101, "Passenger revenue," with receipts from mileage books at the time of sale. It is necessary to credit, at the time of sale, the receipts from mileage books to a suspense account under balance-sheet account No. 446, "Other unadjusted credits," and, as the mileage is honored, to charge such account and credit account No. 101, "Passenger revenue," in accordance with Note B of that account.

The value of unrepresented mileage coupons, the validity of which has expired, shall be credited to account No. 101, "Passenger revenue."

CASE 51.

Query. Should the cost of tools used in the maintenance of way and structures, including those used in the repairs of bridges and buildings, interlocking systems, transmission and distribution systems, and the cost of crucibles, etc., used in connection with a thermit welding machine, be charged to account No. 9, except as provided in accounts Nos. 11 and 12?

Answer. Account No. 9, "Miscellaneous track and roadway expenses," includes only the "cost of roadway tools when chargeable to Operating Expenses: material used in repairing tools, velocipedes, hand and push cars, implements, flags, lanterns, etc., used when repairing track and roadway." This would include crucibles, etc., used in connection with a thermit welding machine.

The cost of renewing and repairing tools shall be charged to account No. 15, "Bridges, trestles, and culverts," if the tools are used in the maintenance of bridges; to account No. 17, "Signal and interlocking apparatus," if used in the maintenance of interlocking systems; to account No. 23, "Miscellaneous electric line expenses," if used in the maintenance of the distribution system; to account No. 24, "Buildings, fixtures, and grounds," if used in the maintenance of buildings named in that account; to account No. 46, "Power plant buildings, fixtures, and grounds," if used in the maintenance of power plant and sub-station buildings; and to account No. 49, "Transmission system," if used in the maintenance of the transmission system.

It is not necessary to apportion among a number of accounts the cost of maintenance of tools used for general purposes.

CASE 52.

Query. A conductor on one of our cars, in discharge of his duty, ejected an unruly passenger who refused to pay fare. In doing so the conductor was injured to such an extent that he was unable to attend to his duties for some time. It has been decided to pay the conductor for all the time lost. Is this a proper charge to account No. 92, "Injuries and damages"?

Answer. The payment shall be charged to account No. 92, "Injuries and damages." (See Cases 10, 110, 111, and 425.)

CASE 53.

Query. Please advise if premiums paid to guaranty companies for bonds furnished municipalities in accordance with franchises granted for the privilege of constructing and operating railroads on the streets should be charged to account No. 98, "Insurance," in the classification of operating expenses. The bonds referred to are given for the faithful performance of all the terms of the franchise, including the construction of the line, the payment of a percentage of the gross receipts, and the maintenance and operation of the line. The bonds are continuous and run during the life of the franchise.

Answer. Such payments shall be charged to account No. 550, "Miscellaneous," in the classification for road and equipment, when they are incurred in connection with construction work; and to account No. 89, "Miscellaneous general expenses," in the classification of operating expenses, when they are incurred in connection with operation.

CASE 54.

Query. This company uses large numbers of portable iron signs, which are hooked on the fronts of the cars to indicate the destination. They are in nowise permanent fixtures of the cars, but are used on different cars as occasion

requires. On some of our new cars we have adjustable signs which consist of rolls with various destinations painted thereon and are essential parts of the cars themselves. To which accounts should the cost of these signs be charged?

Answer. The portable signs shall be charged to account No. 67, "Miscellaneous car-service expenses." The first cost of the adjustable signs attached to the cars shall be charged to account No. 530, "Passenger and combination cars," and the maintenance to account No. 30, "Passenger and combination cars."

CASE 55.

Query. Should the wages of engineers and other employees engaged in operating power plants and substations be charged to repair accounts when they are engaged in making minor repairs during their regular hours?

Answer. It is not intended that any portion of the wages of engineers and other employees engaged in station operation shall be charged to repair accounts when they are engaged incidentally in making minor repairs during their regular shifts.

As a general rule, it is not necessary to distribute the wages of a regular employee to the several accounts affected if part of his time is devoted only incidentally to repair work. If, however, he is required to devote a considerable part of his time to such repairs, his wages shall be apportioned to the proper accounts in accordance with the work performed. (*See Cases 109, 181, and 187.*)

CASE 56.

Query. To what account should be charged the cost of printing tariffs, and the cost of printing orders for conductors and motormen in connection with transportation rules, regulations, etc.?

Answer. To account No. 94, "Stationery and printing."

CASE 57.

Query. We have a track that is "plain back filled," that is, filled with crushed stone to the top of the rails. Strictly speaking, it is not ballast, although in many instances, it would be hard to distinguish it from ballast. Should the cost of this filling be charged to account No. 2, "Ballast," or to account No. 9, "Miscellaneous track and roadway expenses"?

Answer. The cost of filling track with crushed stone to the top of the rails shall be charged, when in connection with maintenance, to account No. 2, "Ballast," as regards material, and to account No. 8, "Track and roadway labor," as regards labor.

CASE 58.

Query. Under our contract for carrying the mail we are required to transfer the mail at certain points from the cars to the post-office. To what account shall we charge the cost of this service?

Answer. Specific payments for this service shall be charged to account No. 78, "Other transportation expenses."

CASE 59.

Query. Since commencing operations we have considered the policy of charging our several departments at a rate per car-hour for the use of work cars in order that the department head would have it brought forcibly to his attention that the work cars should be used as little as possible. Is this permissible?

If equipment is rented to a contractor, the company furnishing employees to operate the same, to what account shall be credited the amounts received from the contractor?

Answer. No charge shall be made against maintenance or other operating accounts for the use of work cars. If work cars are used on construction work by the company itself, and a charge is made against construction accounts therefor, it shall be as near actual cost as possible, and credit shall be given to operating expense general account Transportation for Investment—Cr.

When a charge is made against a contractor for use of equipment, credit shall be given to revenue account No. 116, "Rent of equipment." The wages of conductors, motormen, and other employees engaged on work cars rented to contractors shall be charged to account No. 66, "Miscellaneous car-service employees." (*See Cases 21 and 30.*)

CASE 60.

Query. Notes under operating expense accounts Nos. 3, 4, 5, 6, and 7 provide that the cost of labor shall be charged to account No. 8. If this refers to the first handling of material from cars or boats to yards or docks, it will be difficult, if not impossible, to separate that portion properly chargeable to Operating Expenses from that chargeable as expenditure for road, as it will not be possible when the material is received to tell which part of the material will be used in repairs and which part in construction. This labor has always been considered as part of the cost of material. Should it not be so considered?

Answer. The notes under the accounts mentioned do not refer to the first handling of material from cars or boats to yards or docks, but to the unloading at the points where the material is to be used. The cost of the first handling is properly chargeable to the cost of the material. (*See Case 371.*)

CASE 61.

Query. Should the cost of labor and materials, such as special grubbing tools, liquid weed-killer, and sprinkling devices, used in clearing track and right of way of weeds, be charged to account No. 11, "Cleaning and sanding track"?

Answer. The cost of material shall be charged to account No. 9, "Miscellaneous track and roadway expenses," and the cost of labor to account No. 8, "Track and roadway labor."

CASE 62.

Query. To what account should be charged the cost of planks used in crossings of steam railroads in city streets?

Answer. If the planks are used in maintenance, the cost shall be charged to account No. 16, "Crossings, fences, and signs," in the classification of operating expenses; if used in construction, to account No. 516, "Crossing, fences, and signs," in the classification for road and equipment.

CASE 63.

Query. To what account should be charged the cost of wooden plugs used for filling spike holes in ties?

Answer. To account No. 3, "Ties."

CASE 64.

Query. Should the wages of levermen on derailleurs at steam railroad crossings be charged to "Miscellaneous car-service employees" or to "Operation of signal and interlocking apparatus"?

Answer. To account No. 72, "Operation of signal and interlocking apparatus."

CASE 65.

Query. To what account should be charged cost of removing car ashes from cars to dump?

Answer. If removal is made by company employees, the cost shall be charged to account No. 70, "Carhouse employees"; otherwise to account No. 67, "Miscellaneous car-service expenses."

CASE 66.

Query. Please advise whether the salaries of accounting department clerks engaged in handling the accounts of the maintenance of way, mechanical, and stores departments should be charged to account No. 84, "Salaries and expenses of general office clerks," or apportioned to accounts No. 1, "Superintendence of way and structures," No. 29, "Superintendence of equipment," No. 45, "Superintendence of power," and No. 95, "Store expenses."

Answer. Assuming that the clerks in question, although exclusively engaged in handling the accounts pertaining to separate departments, are employed in the general accounting office, their salaries shall be charged to account No. 84, "Salaries and expenses of general office clerks."

CASE 67.

Query. Should amounts paid to cities for licenses to operate cars within city limits, and payments based on percentage of gross receipts in accordance with the terms of franchises, be charged as taxes?

Answer. Payments to municipalities for privilege of operating cars (license tax) and payments of a percentage of operating revenues in accordance with terms of franchises (franchise tax) shall both be charged to account No. 215, "Taxes assignable to railway operations." (See Cases 20, 24, and 163.)

CASE 68.

Query. A ruling is desired as to the proper accounts to be charged with amounts paid for telephone service, such as for tolls, and for rent of private lines and operating systems. They appear to be in the nature of miscellaneous expenses chargeable to the department for whose benefit the expenses are incurred.

Answer. Rent of telephone lines used primarily for the operation of cars shall be charged to account No. 73, "Operation of telephone and telegraph lines"; amounts paid for local telephone service at stations to account No. 69, "Station expenses"; and all other telephone expenses to account No. 89, "Miscellaneous general expenses." (See Cases 149, 167, and 235.)

CASE 69.

Query. At different points on our line we have electric lights, some of which have been installed in accordance with our franchise agreements, others because of the necessity of providing lights for the safety of our passengers. To what

account should be charged the labor and material used in repairing and renewing such lights?

Answer. The cost of repairing and renewing lights along tracks, either in accordance with franchise agreements or for the purpose of avoiding accidents, shall be charged to account No. 78, "Other transportation expenses." In the case of lights installed at stations owned by a company, the cost of repairing and renewing wiring in connection with such lights shall be charged to account No. 24, "Buildings, fixtures, and grounds," and the cost of renewing the lamps to account No. 69, "Station expenses."

If, however, the station is rented, the entire expense shall be charged to account No. 69. If it is not practicable to separate the expense of renewing and repairing the wiring from that of renewing the lamps at stations owned by a company, the entire cost may be included in account No. 69.

CASE 70.

Query. Our franchise for the use of a county bridge carries an obligation to pay a proportion of the cost of bridge maintenance and operation. How shall we charge such payments?

Answer. The cost of maintaining a bridge used under long-term lease or franchise shall be treated the same as maintenance of property owned. With this understanding, the maintenance of the bridge in question shall be charged to account No. 15, "Bridges, trestles, and culverts," and the cost of any paving done shall be charged to account No. 10, "Paving." The wages of bridge tenders shall be charged to account No. 66, "Miscellaneous car-service employees."

CASE 71.

Query. What is the proper disposition of the cost of patterns used in making castings? In some cases these patterns were made for cars being built, and are now carried in stock and used for making repair parts when necessary. In other cases the patterns were made solely for the casting of repair parts. Is it proper to charge the cost of the patterns to the cost of the equipment built, in the first instance, and to the cost of repairing the equipment in the second instance; or should the patterns be treated as hand tools and machine tools?

Answer. The cost of patterns originally made for cars being built by a company shall be included in the cost of the equipment. The cost of patterns made expressly for the casting of repair parts shall be included in the cost of repairing equipment.

CASE 72.

Query. Referring to accounts No. 507, "Rails, rail fastenings, and joints," and No. 508, "Special work," in the classification for road and equipment, kindly advise to which of these accounts should be charged the cost of guard rails placed around plain curves in main tracks where there are no frogs, switches, cross-overs, or other special work in connection therewith. Does account No. 508, "Special work," include the cost of any guard rails except those used in connection with railroad crossings, cross-overs, frogs, switches, turn-outs, or other parts of the track made to order?

Answer. The cost of guard rails placed around plain curves in main tracks where there are no frogs, switches, cross-overs, or other special work in connection therewith shall be charged to account No. 507, "Rails, rail fastenings, and joints." Account No. 508, "Special work," shall include the cost of only such guard rails as are used in connection with railroad crossings, cross-overs, frogs, switches, turn-outs, and other parts of the track made to order.

CASE 73.

Query. We are required by city ordinance to cut and restore overhead wires when it is necessary to move any building across or along our streets. Is this a charge proper to Operating Expenses or to Income?

Answer. Such expenses shall be charged to account No. 23, "Miscellaneous electric line expenses."

CASE 74.

Query. This company owns ferry slips at a wharf in connection with which we have considerable maintenance expenses. Should we charge to a subaccount under No. 19, "Miscellaneous way expenses," or to account No. 24, "Buildings, fixtures, and grounds"? At the end of the wharf are fuel-oil tanks for the operation of our ferry. Should we charge maintenance expenses to account No. 19, "Miscellaneous way expenses," or to account No. 24, "Buildings, fixtures, and grounds"?

Answer. Expenses of maintenance of ferry slips and ferry fuel-oil tanks shall be charged to account No. 24, "Buildings, fixtures, and grounds."

CASE 75.

Query. Is it necessary for a carrier operating a ferry to separate its general and miscellaneous operating expenses between the railway and the ferry?

Answer. No.

CASE 76.

Query. To what account should be charged tools other than track tools, such as wheelbarrows, hose, level boards, paving hammers, hydrant wrenches and reducers, mattocks, hand axes, rail tongs, etc., purchased for construction work?

Answer. These tools shall be charged to the construction work for use upon which they are issued. If after the completion of the work, the tools have any salvage value, it shall be credited to the work to which the tools were originally charged, and charged to the work to which the tools are thereafter applied. (See Cases 157 and 367.)

CASE 77.

Query. Kindly advise the proper distribution of—

(1) Trustees' commissions and fees for paying out bond interest on coupons, and expenses, including registrars' fees, connected with same.

(2) Cost of general audit of company's books by an audit company.

Answer. The items described should be charged as follows:

(1) To account No. 225, "Miscellaneous debits."

(2) To account No. 89, "Miscellaneous general expenses."

CASE 78.

Query. Is it intended that items properly chargeable to account No. 37, "Shop expenses," in the classification of operating expenses, are to remain as charged; or may they be distributed in the same manner as store expenses?

Answer. It is not intended that the items contained in account No. 37, "Shop expenses," shall be distributed to the various operating accounts benefited thereby. However, if any portion of shop expenses is properly chargeable

to Road and Equipment, such portion shall be deducted from account No. 37, "Shop expenses," since that account should represent only the portion chargeable to Operating Expenses.

CASE 79.

Query. Is there any objection to the creation of a reserve to take care of settlements of loss and damage claims filed by shippers of freight? The intention is to make charges of an arbitrary amount, so as to take care of claims of this nature during the period within which the damage is done.

Answer. There is no objection to including in operating expenses each month a proportion of the total amount which it is estimated will be necessary to expend on account of loss and damage claims, provided that the charges are adjusted annually so far as practicable.

CASE 80.

Query. To what account should be charged the salaries of clerks employed in compiling data and making out reports to public service commissions, State boards of tax commissioners, Federal departments, and others? To what account should be charged the salaries of engineers employed in compiling data in regard to way and structures for such reports?

Answer. The salaries of clerks shall be charged to account No. 84, "Salaries and expenses of general office clerks." The salaries of engineers shall be charged to account No. 1, "Superintendence of way and structures."

CASE 81.

Query. To what account should be charged amounts paid to the United States Government for the right to operate a line across a Government reservation?

Answer. If the cars have a private right of way over the Government reservation, the payments shall be charged to account No. 217, "Miscellaneous rents." If the line runs in a highway which is used by the public, the payments shall be charged to account No. 215, "Taxes assignable to railway operations" (See Cases 20 and 24.)

CASE 82.

Query. Frequently when streets upon which rails are laid are torn up for repairs it is necessary for passengers to change from cars on one side of the break in the street to cars on the other side, and men are stationed at the break to care for the cars, to assist the passengers if required, and to perform any other duties in connection therewith. The men employed for this work are not regular car-service employees. To what account should their wages be charged?

Answer. To account No. 66, "Miscellaneous car-service employees."

CASE 83.

Query. To what account should be charged the cost of filling land?

Answer. The cost of filling land, in the ordinary acceptation of the term, shall be added to the cost of the land. If, however, the filling is for the purpose of grading the roadbed, the cost shall be charged to account No. 504, "Grading."

CASE 84.

Query. A town, in granting a franchise for the construction of a new line on the streets, requires the railway company to set back the curbs and flagstones. The work is not necessary for the construction of the line, as there is plenty of room on the highway without setting back the curbs. To what account in the classification for road and equipment should such expenditures be charged?

Answer. Expenditures of this nature shall be charged to account No. 502, "Right of way." In case there is any paving to be done in connection with this work, the cost of such paving shall be charged to account No. 511, "Paving." (See Case 42.)

CASE 85.

Query. To what accounts should be charged items for—

(1) City assessment for street grade crossing our right of way, being our proportion for the right of way abutting on the street and extending back from the street.

(2) City assessment for new trunk sewer, being the amount charged us for our proportion based on right of way through the section served by the sewer.

(3) City assessment for new street pavement, being our proportion of paving inside and alongside our tracks on streets on which our track is laid, the streets not having been previously paved.

(4) Cost of installing new crossings when new streets are opened.

Answer. These items shall be charged as follows:

(1) To account No. 516, "Crossings, fences, and signs."

(2) To account No. 502, "Right of way." (See Case 161.)

(3) To account No. 511, "Paving." (See Cases 2 and 161.)

(4) To account No. 516, "Crossings, fences, and signs."

CASE 86.

Query. To what account should be charged the expense of an examination of titles of real property and other questions affecting the validity of an issue of bonds?

Answer. If such expense is incurred in connection with the issue of the bonds it shall be charged to account No. 418, "Discount on funded debt," and written off by charges to income account No. 222, "Amortization of discount on funded debt," over the life of the bonds, in accordance with the instructions in section 3, page 76, of the Uniform System of Accounts for Electric Railways.

If the expense has been incurred in connection with a suit to test the validity of the bond issue it shall be charged to account No. 86, "Law expenses."

CASE 87.

Query. A State assesses railway corporations each year a certain amount graduated on basis of capital stock. To what account should the assessment be charged?

Would this apply to a franchise assessment of a percentage of gross earnings, levied under city ordinance?

Would it apply to what is known as a license tax, levied by a city and based on a certain fixed charge per car for the number of cars operated in the city?

Answer. State taxes assessed against railway corporations, the amounts of which are graduated on a basis of capital stock, franchise taxes levied on operating revenues, and license taxes based on the number of cars operated in a city, shall be charged to income account No. 215, "Taxes assignable to railway operations."

CASE 88.

Query. By reason of the construction of a sewer in a street occupied by electric railway tracks, it becomes necessary to lay a temporary track around the break in the regular line in order to maintain the regular running schedule and avoid compelling the passengers to make a change of cars at that point. Should the cost of laying and removing the temporary track be charged to account No. 19, "Miscellaneous way expenses," or to account No. 67, "Miscellaneous car-service expenses"?

Answer. The cost of temporary track made necessary by the removal of tracks for the purpose of laying a sewer shall be charged to account No. 19, "Miscellaneous way expenses."

CASE 89.

Query. To what account should be charged the cost of putting in iron-pipe culverts for drainage purposes?

Answer. To account No. 515, "Bridges, trestles, and culverts," in the classification for road and equipment.

CASE 90.

Query. We are constructing a new power station which is to be operated by steam turbines. The water for the condensers in this station is to be obtained from a pool to be formed in a near-by river by a dam at or near the station. To what account should be charged the cost of the dam and the pipes conveying the water from the pool to the condensers?

Answer. The cost of the dam as well as the cost of the pipes used in conveying the water from the pool formed by the dam shall be charged to account No. 541, "Dams, canals, and pipe lines," in the classification for road and equipment.

CASE 91.

Query. To what account should be credited the proceeds of an annual tax voted to a carrier by the districts through which the carrier operates?

Answer. If the annual contribution is for the purpose of aiding in the construction or acquisition of property, the credit shall be made to account No. 426, "Grants in aid of construction." If it is made to meet an operating deficit, the credit shall be made to account No. 211, "Contributions from others."

CASE 92.

Query. To what account in the classification for road and equipment should be cleared rent and operation of equipment (rented locomotive, pile driver, etc. used in bridge and track work)?

Answer. Rent and operation of equipment shall be cleared to account No. 529, "Other expenditures—Way and structures," unless the expenses can be readily apportioned and included in the primary accounts to which the cost of the specific work is chargeable.

CASE 93.

Query. To what account should be credited revenue from express traffic handled under a contract with an express company, the railway company owning the cars and charging the express company on a mileage basis?

Answer. To account No. 105, "Express revenue," in the classification of operating revenues. The revenue received covers compensation for the handling of express traffic exclusively and should be treated accordingly, regardless of the arrangement or the basis upon which the compensation is fixed.

CASE 94.

Query. Would it be proper to charge to road and equipment account No. 506, "Special work," the cost of labor and material used in running a wire from a substation to several of our sidings for the purpose of turning on electric switch lights at said sidings by means of a switch at the substation?

Answer. No. The cost shall be charged to account No. 517, "Signals and interlocking apparatus," in the classification for road and equipment. However, it is not the intention that carriers should be required to capitalize insignificant amounts.

CASE 95.

Query. To what accounts should be charged the cost of maintenance and operation of machinery in air-compressor stations, used for charging storage tanks for air brakes?

Answer. The cost of maintenance shall be charged to account No. 86, "Shop equipment," and the cost of operation to account No. 87, "Miscellaneous car-service expenses."

CASE 96.

Query. To what accounts should be charged the cost of construction and maintenance of conduits and fixtures built from a compressor station, located a block or so away from the main line, to a point alongside of the track, the conduits being used for conveying the compressed air to be used on cars on account of air brakes?

Answer. The cost of construction shall be charged to account No. 536, "Shop equipment," in the classification for road and equipment, and the cost of maintenance to account No. 36, "Shop equipment," in the classification of operating expenses.

CASE 97.

Query. In a certain system of side-bracket construction, the trolley wire is suspended by a short wire attached to the bracket. Is this piece of wire a part of the bracket and so chargeable to account No. 20, "Poles and fixtures," or is it a span wire and so chargeable to account No. 22, "Distribution system"?

Answer. The wire is a part of the bracket, and the cost of maintenance shall be charged to account No. 20, "Poles and fixtures," in the classification of operating expenses.

CASE 98.

Query. Should not account 505, "Ballast," in the classification for road and equipment, provide for a separate account to cover ballast produced, as is provided in the classification of operating expenses?

Answer. If the entire cost of ballast produced is chargeable to Road and Equipment, it could be properly charged to account No. 505, "Ballast." If, however, the ballast produced is chargeable partly to Road and Equipment and partly to Operating Expenses, Note A, under account No. 2, "Ballast," in the classification of operating expenses, would apply. (See Case 381.)

CASE 99.

Query. Where track has been laid in an unimproved street under an ordinance which requires the carrier to pay its proportion of the paving when the city paves, should not this proportion be charged to account No. 511, "Paving," in the classification for road and equipment, even when the proportion is included in a special assessment and spread over a period of years?

Answer. Yes. (See Case 185.)

CASE 100.

Query. Should the cost of macadamizing a road or filling a dirt road up to the head of the rail be considered a paving cost and charged to account No. 511, "Paving," or should it be charged to account No. 510, "Track and roadway labor"?

Answer. For the cost of labor and material used in macadamizing, charge shall be made to account No. 511, "Paving"; for the cost of filling the dirt road between the tracks up to the head of the rail, charge for the material used shall be made to account No. 505, "Ballast," and charge for the labor shall be made to account No. 510, "Track and roadway labor."

CASE 101.

Query. Is it proper to charge account No. 515, "Bridges, trestles, and culverts," in the classification for road and equipment, with the cost of a trestle used to handle coal, when the coal is handled in the carrier's own cars and over its own road, and the trestle is used to secure sufficient elevation to dump the coal into coal pockets?

Answer. If the coal pocket is primarily for power plant or generating uses, the cost of the trestle shall be charged to account No. 539, "Power plant buildings." If the coal pocket can not be considered a part of the power plant, the cost of the trestle shall be charged to account No. 524, "Stations, miscellaneous buildings, and structures." (See Case 105.)

CASE 102.

Query. When rails are drilled at the mill for bonding and the cost is included in the price paid for the rails, should the entire cost be included in account No. 507, "Rails, rail fastenings, and joints," in the classification for road and equipment?

Answer. Yes.

CASE 103.

Query. To what account should be charged the amount of conductors' remittances stolen from a safe provided by a carrier?

Answer. To account No. 89, "Miscellaneous general expenses," in the classification of operating expenses.

CASE 104.

Query. When the general office is a part of the car house and occupies, say, the second story, how should the cost of the general office be charged?

Answer. The entire cost of the building shall be charged to account No. 523, "Shops and car houses," in the classification for road and equipment.

CASE 105.

Query. Should the cost of a coal pocket be charged to account No. 530, "Power plant buildings," in the classification for road and equipment, as a building used in power generation, or to account No. 523, "Shops and car houses," as a storehouse, or to account No. 524, "Stations, miscellaneous buildings, and structures," as a building not provided for otherwise?

Answer. If the coal pocket is primarily for power plant or generating uses, its cost shall be charged to account No. 530, "Power plant buildings." If the coal pocket can not be considered a part of the power plant, the cost shall be charged to account No. 524, "Stations, miscellaneous buildings, and structures." (See Case 101.)

CASE 106.

Query. To what account should be charged the cost of snowplows, such as nose plows, etc., attached to cars?

Answer. The cost of snowplows attached to cars shall be charged, under the classification for road and equipment, to account No. 530, "Passenger and combination cars"; No. 531, "Freight, express, and mail cars"; No. 532, "Service equipment"; or No. 534, "Locomotives," according to the class of equipment to which the attachments are made.

The cost of repairing snowplows attached to cars shall be charged, under the classification of operating expenses, to accounts No. 30, "Passenger and combination cars"; No. 31, "Freight, express, and mail cars"; No. 32, "Service equipment"; or No. 34, "Locomotives," according to the class of equipment to which the plows are attached.

CASE 107.

Query. To what account should be charged the cost of terminal houses erected to contain the apparatus necessary in connection with the change from high-tension overhead to underground line?

Answer. The cost of original installation shall be charged to account No. 544, "Transmission system," in the classification for road and equipment. The cost of repairs shall be charged to account No. 49, "Transmission system," in the classification of operating expenses.

CASE 108.

Query. When a substation attendant who has little or nothing to do, but must be on duty in case a circuit breaker goes out, also sells tickets, handles express, etc., and generally acts as station agent, must his wages be apportioned, and, if so, on what basis?

Answer. The wages of such an employee shall be apportioned among the accounts affected. It is not intended, however, to require an undue refinement of accounting in a matter of this kind.

CASE 109.

Query. When headlights, markers, etc., are cared for and handled at the general office, say a mile from the carhouse, and the man who does this work also handles baggage and express matter and acts as janitor of the building, must his wages be apportioned, and, if so, on what basis?

Answer. The wages of such an employee shall be apportioned, so far as practicable, among the accounts affected. If, however, the item is small and the circumstances are such that any one account could, with propriety, include the entire expense, it may be assigned thereto. (*See Cases 55, 108, 181, and 187.*)

CASE 110.

Query. A conductor on duty is stabbed by a drunken passenger without any fault or negligence whatever on the part of the carrier. He has been a faithful employee and it has been decided to pay him for the time lost during the resulting illness. Should the amount be charged to account No. 89, "Miscellaneous general expenses," or to account No. 92, "Injuries and damages"?

Answer. To account No. 92, "Injuries and damages." (*See Cases 10, 52, 111, and 425.*)

CASE 111.

Query. A conductor is knocked from a crowded running board of an open car while the car is passing close to a pile of building material of the existence of which he is well aware. No negligence on the part of the company is shown or claimed. He has been a faithful employee, and it has been decided to pay him for the time lost during the resulting illness. Should the amount be charged to account No. 89, "Miscellaneous general expenses," or to account No. 92, "Injuries and damages"?

Answer. To account No. 92, "Injuries and damages." (*See Cases 10, 52, 110, and 425.*)

CASE 112.

Query. To what account should be charged the cost of replacing a pavement taken up during construction work for the purpose of removing obstructions such as gas and sewer pipes? This paving is more or less removed from the paving described as the paving strip, extending approximately two feet beyond the outside rail and between the rails, and is not maintained by the street railway company.

Answer. The cost of replacing a pavement taken up during construction work for the purpose of removing obstructions such as gas and sewer pipe, shall be charged to account No. 511, "Paving," in the classification for road and equipment, whether or not such pavement is outside of the so-called paving strip maintained by the company in consequence of municipal requirements.

CASE 113.

Query. Is account No. 509, "Underground construction," in the classification for road and equipment, intended to include all labor in placing the material described, as well as the cost of material itself, including transportation?

Answer. Such labor shall not be included in account No. 509, "Underground construction," but shall be charged to account No. 510, "Track and roadway labor," in analogy with maintenance account No. 8, "Track and roadway labor."

CASE 114.

Query. Should the cost of labor incident to hauling track material from the storeroom to the place where it enters into construction be regarded as a part of the labor cost covered by account No. 510, "Track and roadway labor," in the classification for road and equipment?

Answer. Yes. (*See Case 371.*)

CASE 115.

Query. How should guard rails, walks, and railings along the tracks of elevated railways be classified?

Answer. Timber guard rails, footwalks, and railings along the tracks of elevated railways shall be charged to road and equipment account No. 514, "Elevated structures and foundations." The reason that track rails and ties are excluded from this account and put in separate accounts is that they can be used on other roadbeds. The timber work described is peculiar, however, to the elevated structure, and shall therefore be included in that account for the same reason that all parts of bridges and trestles, except track rails, cross ties, etc., are included in account No. 515, "Bridges, trestles, and culverts," in the same classification.

CASE 116.

Query. This company is desirous of keeping a subaccount, "Lighting system," under account No. 28, "Miscellaneous electric line expenses," to contain the cost of maintaining the lighting system on both the elevated and the subway lines. It is desired to show the cost of maintenance of the lighting system on both divisions in one account, which would not be possible if the cost of maintaining the lighting system of the subway and elevated were charged to accounts No. 13, "Tunnels and subways," and No. 14, "Elevated structures and foundations."

Answer. If the company is interested in showing the combined cost of maintaining the subway and elevated lighting systems it may keep an apportionment account to be cleared monthly, but it would destroy the uniformity sought if the account were to be kept as a regular operating account and thus show expenses that in the case of other companies would appear under accounts No. 13, "Tunnels and subways," and No. 14, "Elevated structures and foundations."

CASE 117.

Query. To what account should be charged the cost of building snow fences, as well as the expense of setting them up and removing them?

Answer. The first installation of snow fences shall be charged to road and equipment account No. 516, "Crossings, fences, and signs." After the first installation, the cost of repairing such fences, as well as the expense of setting them up and removing them, shall be charged to operating expense account No. 12, "Removal of snow and ice."

CASE 118.

Query. To what account should be charged expenses incident to the trial of an ejected passenger who shot and killed one of our trainmen, and burial expenses of said trainman paid by this company?

Answer. The expenses incident to the trial shall be charged to account No. 86, "Law expenses," and the burial expenses, if not paid from a relief association fund, shall be charged to account No. 92, "Injuries and damages."

CASE 119.

Query. To what account should be charged an assessment for constructing a new ditch by which this company is partly benefited? The road has been in operation for some time.

Answer. Provision is made for the cost of ditching roadway and of ditches for waterways in account No. 504, "Grading," in the classification for road and equipment. If the ditch to which you refer is along the public highway and is not made use of in the operation of the railroad, the amount of the assessment shall be charged to account No. 502, "Right of way," in the same classification.

CASE 120.

Query. To what account should be charged the cost of pieces of glass for fronts of headlights on cars? Is this charge the same as for globes and carbons, or is the glass considered as a repair rather than a supply?

Answer. Pieces of glass for fronts of headlights on cars shall be charged, under the classification of operating expenses, to account No. 30, "Passenger and combination cars"; No. 31, "Freight, express, and mail cars"; No. 32, "Service equipment"; or No. 34, "Locomotives," according to the class of equipment upon which the glass is used.

Globes and carbons used for headlights shall be charged to account No. 67, "Miscellaneous car-service expenses."

CASE 121.

Query. To what account should be charged the cost of sprinkling pavement of streets (other than pavement near tracks) in front of passenger and freight stations?

Answer. If the sprinkling in front of stations is performed by employees around the stations the labor shall be charged to account No. 68, "Station employees," and other expenses to account No. 69, "Station expenses." If the service is performed by outside parties, the entire expense shall be charged to account No. 69.

CASE 122.

Query. To what account should be charged the cost of tube cleaners and repair parts for removing scale from boiler tubes in boilers at power plants?

Answer. The cost of first installation of tube cleaners shall be charged to account No. 542, "Power plant equipment," in the classification for road and equipment. Replacements and repairs shall be charged to account No. 47, "Power plant equipment," in the classification of operating expenses.

CASE 123.

Query. To what account should be charged the cost of envelopes and bags used for filing canceled tickets turned in by conductors?

Answer. To account No. 94, "Stationery and printing."

CASE 124.

Query. To what account should be charged the cost of fire extinguishers which are to be installed in passenger and freight cars and in power stations?

Answer. The cost of first installation shall be charged to account No. 530, "Passenger and combination cars"; No. 531, "Freight, express, and mail cars"; No. 532, "Service equipment"; or No. 534, "Locomotives," in the classification for road and equipment, according to the class of equipment in which the fire extinguishers are installed. The cost of first installation in power plants shall be charged to account No. 542, "Power plant equipment," in the same classification. It is not intended, however, to require carriers to charge insignificant items to road and equipment accounts. (See Case 125.)

CASE 125.

Query. To what account should be charged the cost of renewing fire extinguishers used in passenger and freight cars and in power stations?

Answer. The cost of refilling fire extinguishers in cars shall be charged to account No. 67, "Miscellaneous car-service expenses," and in power plants to account No. 56, "Miscellaneous power plant supplies and expenses." The cost of replacing hand grenades shall be similarly charged. (*See Case 124.*)

CASE 126.

Query. To what account should be charged the cost of installing fire hose?

Answer. The cost of first installation of fire hose shall be charged to the same account under Road and Equipment as the building in which the hose is installed. It is not intended, however, to require carriers to charge insignificant items to road and equipment accounts.

CASE 127.

Query. To what account should be charged the cost of renewing or replacing fire hose?

Answer. To the account to which would be charged repairs to the building in which the hose is located.

CASE 128.

Query. To what account should be charged the expenses incurred on account of a remonstrance against constructing a new ditch along right of way?

Answer. To operating expense account No. 86, "Law expenses," if the remonstrance occurred after the commencement of operations; or to road and equipment account No. 546, "Law expenditures," if the remonstrance occurred during the construction period.

CASE 129.

Query. To what account should be charged the cost of services of an electric clock at a dispatcher's office for use in train service?

Answer. To account No. 63, "Superintendence of transportation."

CASE 130.

Query. To what account should be charged the cost of a reseating machine and repair parts, for grinding and cleaning caps for boiler tubes in power stations?

Answer. The cost of first installation of reseating machines for grinding and cleaning caps for boiler tubes in power plants shall be charged to account No. 542, "Power plant equipment," in the classification for road and equipment. Replacements and repairs shall be charged to account No. 47, "Power plant equipment," in the classification of operating expenses.

CASE 131.

Query. What accounts should be charged with the rent and the cost of maintenance and operation of a steam locomotive and other classes of equipment, such as work cars, etc., used in the construction of an electric railway? What disposition should be made of rental charges for time during which the equipment is lying idle on account of inclement weather?

Answer. The rent of such equipment held for use in construction, whether in use or idle, together with the cost of repairs and supplies used in its operation, shall be charged to the accounts in the classification for road and equipment that are benefited by the service, being apportioned among them on an equitable basis. When such expenses can not properly be included as a part of the cost of any specific work they shall be charged to account No. 529, "Other expenditures—Way and structures." (See Case 92.)

CASE 182.

Query. When cartage is included in the rates, what should be the accounting for receipts from and payments for cartage other than that for collection and delivery, mentioned in account No. 76?

Answer. When freight rates include cartage, the total amounts earned shall be credited to account No. 107, "Freight revenue," in the classification of operating revenues, and the amounts paid to a cartage agency for cartage in accordance with tariff provision shall be charged to the same account.

CASE 183.

Query. Should freight earnings be charged with amounts paid to other companies for the use of their cars?

Answer. Amounts paid to other companies for the use of their cars shall be charged to account No. 98, "Rent of equipment," in the classification of operating expenses, and not to the revenue account benefited by the use of the cars. (See Case 13.)

CASE 184.

Query. A company is called upon by the various municipalities through which it operates to pay for street improvements, either by assessments levied by municipal authority or by payments to contractors in accordance with city ordinances. Is the initial cost of street paving, sidewalks, curbs, gutters, etc., chargeable to Operating Expenses or to Road and Equipment?

Are payments for improvements of the above nature made in connection with depots and depot grounds chargeable to account No. 502, "Right of way," or account No. 503, "Other land used in electric railway operations," in the classification for road and equipment?

Answer. The initial cost of street pavements, sidewalks, curbs, gutters, etc., is chargeable to road and equipment accounts. Expenditures of this nature within the limits of depots and depot grounds shall be charged to account No. 524, "Stations, miscellaneous buildings, and structures," except that the cost of all paving about tracks and special work, when incident to track construction, shall be charged to account No. 511, "Paving," whether in the public way or upon grounds used in connection with depots or depot grounds. (See Cases 42, 84, and 236.)

CASE 185.

Query. To what account should be charged the cost of land acquired for station and terminal grounds and for shops and power houses?

Answer. The cost of such land shall be charged to account No. 503, "Other land used in electric railway operations."

CASE 136.

Query. To what account should be charged insurance premiums paid on construction material or on equipment or structures under construction?

Answer. Insurance premiums paid on construction material or on equipment or structures under construction shall be charged to specific accounts when they can be allocated to such accounts; otherwise to account No. 550, "Miscellaneous," in the classification for road and equipment.

CASE 137.

Query. What account should be charged with the cost of a steam shovel used in the construction of an electric railway?

Answer. If, as is assumed, the steam shovel is to be used in grading, its cost shall be charged to account No. 504, "Grading," in the classification for road and equipment. If the steam shovel is sold after the completion of the grading, the proceeds from the sale shall be credited to account No. 504. If, however, it is retained and used, account No. 504 shall be credited with the inventory value at the completion of the grading, and account No. 532, "Service equipment," charged, provided the steam shovel is permanently mounted on a car. In case it is not so mounted, account No. 512, "Roadway machinery and tools," shall be charged. (See Cases 76 and 367.)

CASE 138.

Query. Under a joint arrangement, practically all the scrap material of several companies controlled by the same interests is sold under contract to a single purchaser. The contract provides that the scrap shall be cleaned, packed, if necessary, shipped to a designated point, and delivered to the purchaser at prices fixed in the contract. Should the cost of cleaning, cutting up, collecting, and packing, and amounts paid for cartage and freight be charged to account No. 95, "Store expenses," in the classification of operating expenses?

Answer. Account No. 95, "Store expenses," provides for the cost of collection of scrap material, but it is not intended that this account should include the cost of cleaning and cutting up scrap material, or of packing and shipping it to the point where it is sold. Such expenses shall be deducted from the amounts received from the sale of the scrap material.

CASE 139.

Query. The property of a railway company suffered considerable damage by floods. Temporary repairs were made to permit the operation of trains over the damaged portion, it being deemed advisable to postpone permanent repairs on account of the approach of winter. During the following year the damaged property was restored to a condition equal to that before the flood. May a reserve be set up through charges to Operating Expenses of the flood year to provide for the repair of the property damaged?

Answer. If the cost of the permanent repairs proposed can be approximately determined, there is no objection to charging Operating Expenses each month with a proportion of the cost of such repairs, with the understanding that such charges shall be adjusted to the basis of actual expenditures as soon as the work is completed. The amounts charged to Operating Expenses for this purpose shall be carried in a reserve, against which the cost of the repairs shall be charged as they are made.

CASE 140.

Query. To what account should be charged the cost of current purchased from another company to supply electric-light clusters at stopping points along the line, not stations?

Answer. To account No. 50, "Power purchased." (See Case 165.)

CASE 141.

Query. A company owns tracks but no cars or power house. To operate the road, cars and power are obtained from another company at the rate of 3 cents per car-mile for both cars and power. How should amounts thus paid be treated?

Answer. They shall be apportioned between account No. 98, "Rent of equipment," and account No. 50, "Power purchased."

CASE 142.

Query. The tracks and equipment of a dummy freight line owned by a street railroad are leased to a steam road for exclusive use, the steam road maintaining and operating the line. Should the street railroad include the yearly rent received under revenue account No. 115, "Rent of tracks and facilities," or in the Income Account?

Answer. The amount of rent received as described above shall be included under account No. 208, "Income from lease of road."

CASE 143.

Query. An electric railway is operated in three divisions; the first division including the lines in two cities, A and B, separated by a river; the second division including the lines in a third city, C; and the third division including an interurban line, 22 miles in length, connecting B and C. The main supply depot is at A. Would it be proper to credit the revenues of the interurban line and charge the expenses of the lines in C with freight charges on company material and supplies carried from B to C to be used in C?

Answer. Under the Uniform System of Accounts it is not proper for a carrier to include in its operating revenues freight charges for the transportation of company material and supplies for the maintenance and operation of its property.

CASE 144.

Query. Should an electric railway company whose line is under construction, no part of it having been completed and no cars having been run, open any account for operating expenses, or should it charge all expenditures to construction accounts?

Answer. It is not proper to open any account for operating expenses before cars are run in revenue service. All expenditures in connection with the construction of a road shall be charged to the accounts prescribed in the classification for road and equipment.

CASE 145.

Query. Several cars of coal were purchased by a road under construction, to be held for use for generating purposes in the power house after operations are begun. To what account should be charged the cost of the coal?

Answer. The cost of coal purchased for use after the beginning of operations shall be charged to a fuel account under balance-sheet account No. 411, "Material and supplies." This account shall be credited and the appropriate operating expense accounts shall be charged as the coal is used.

CASE 146.

Query. To what account should be charged an amount paid to a city for permission to open a pavement in order to repair joints, relay rails, etc.? The pavement is in good condition and the amount of the payment covers the estimated cost of replacing it.

Answer. The cost shall be charged to account No. 10, "Paving," in the classification of operating expenses.

CASE 147.

Query. To what account should be charged the wages of pilots directing the operation of a company's own cars by crews not familiar with certain divisions of the line, or directing the operation of cars of another company by their own crews?

Answer. Pilots as described above shall be considered trainmen and their wages charged to operating expense account No. 64, "Passenger conductors, motormen, and trainmen," or account No. 65, "Freight and express conductors, motormen, and trainmen," according to the service in which they are engaged.

CASE 148.

Query. To what account should an electric railway company credit an amount received from another company for the privilege of running cars over a portion of its line, the first company furnishing the power and pilots to direct the movement of the cars, which are furnished and operated by the second company?

Answer. The amount received for such a privilege shall be credited to revenue account No. 115, "Rent of tracks and facilities," with the exception of the portion of the amount applicable to the wages of the pilots, which shall be credited to the account to which the wages are charged.

CASE 149.

Query. What account is chargeable with the cost of telephone service, including both tolls and rents, in stations for agents' use in reaching patrons of the line, and in the offices of the operating officers?

Answer. Payments for local telephone service for agents' use in reaching patrons shall be charged to account No. 69, "Station expenses." Payments for telephone service in the offices of operating officers shall be charged to account No. 73, "Operation of telephone and telegraph lines." Payments for telephone service in connection with the general management of the company shall be charged to account No. 89, "Miscellaneous general expenses."

CASE 150.

Query. A passenger holding a ticket is ejected from an electric railway company's car and enters suit against the company for damages. To what account should the amount of the damages awarded be charged?

Answer. Damages awarded to a passenger on account of his ejection from a car shall be charged to account No. 92, "Injuries and damages," in the classification of operating expenses.

CASE 151.

Query. An electric railway company owns five automobiles, one used by the president, one by the general superintendent, one by the superintendent of maintenance of way, and the other two by linemen. What accounts should be charged with the garage expenses, including the wages of men in charge; with the cost of gasoline, oil, and waste used in the machine; and with the cost of material used in making repairs?

Answer. The garage expenses, including the wages of the men in charge, and the cost of gasoline, oil, and waste used in connection with automobiles, shall be charged to account No. 96, "Garage and stable expenses." The cost of repairs shall be charged to account No. 38, "Vehicles and horses."

CASE 152.

Query. To what account should be charged the cost of a concrete foundation for tracks when forming part of a pit in a carhouse or in a yard?

Answer. Assuming that the pit is built to facilitate the housing and maintenance of equipment, the cost of the foundation put in for tracks in building a pit in a carhouse shall be considered a part of the cost of the carhouse, and so charged to account No. 523, "Shops and carhouses," in the classification for road and equipment.

A pit in a yard is presumably built to facilitate the examination and repair of equipment and shall be considered a miscellaneous structure, the cost of which is chargeable to account No. 524, "Stations, miscellaneous buildings, and structures."

A pit constructed to facilitate the change between the underground and the overhead electric contact system shall be considered as underground construction.

CASE 153.

Query. An electric railway company expects to engage in the power and light business. Is it proper to charge the various accounts in the classification for road and equipment with the cost of installation of additional units in the power house, and the cost of pole lines and feeder lines? If this is not permissible, will it be satisfactory to have one balance sheet to cover both the railway business and the power and light business?

Answer. It is proper to include the cost of additional units in the power house and of pole lines and feeder lines in the accounts provided in the classification for road and equipment. One balance sheet is sufficient for the entire business.

CASE 154.

Query. What rates of depreciation should be applied to the different portions of an electric railway's plant? Should the principle of depreciation be applied in the case of each of the 50 classes of construction covered by the accounts prescribed in the classification for road and equipment?

Answer. The Interstate Commerce Commission requires of electric railway companies subject to its jurisdiction depreciation accruals only on equipment covered by accounts Nos. 530 to 535, inclusive. Provision is made in the classification of operating expenses for three depreciation accounts. The use of account No. 40, "Depreciation of equipment," is mandatory. The use of accounts No. 25, "Depreciation of way and structures," and No. 50, "Depreciation

of power plant buildings and equipment," is optional with the carrier. (*See section 14, page 19, of the Uniform System of Accounts for Electric Railways.*)

The question as to rates of depreciation to be used is one which each carrier must determine for itself. The Interstate Commerce Commission has issued no order fixing such rates.

CASE 155.

Query. What account should be credited with discounts allowed by manufacturers for payment, within specified times, of bills for material purchased?

Answer. Discounts allowed for the prompt payment of bills for material purchased shall be credited to the accounts to which the original invoices are charged.

CASE 156.

Query. To what revenue account should be credited receipts for the transportation of newspapers on passenger cars? Newspaper stamps are sold at fixed rates per 100 pounds and affixed to the packages to indicate their weight and the fact that prepayment has been made.

Answer. To account No. 105, "Express revenue," in the classification of operating revenues.

CASE 157.

Query. What accounts should be charged with the cost of maintenance of a bonding car and its electric equipment?

Answer. A bonding car shall be considered a car rather than a tool. The cost of its maintenance shall be charged to account No. 82, "Service equipment," and the cost of maintenance of its electric equipment to account No. 38, "Electric equipment of cars," in the classification of operating expenses. It is understood that "electric equipment" as here used includes only the electric motive equipment and wiring.

CASE 158.

Query. What account should be charged with the cost of installing a creosoting plant for the purpose of treating poles, ties, cross arms, etc., used for both maintenance and construction work?

What account should be charged with the maintenance of such a plant?

Should the cost of labor and supplies used in the operation of the plant be distributed to the maintenance and construction accounts?

Answer. The original cost of the creosoting plant shall be charged to road and equipment account No. 536, "Shop equipment."

The cost of maintaining the creosoting plant shall be charged to operating expense account No. 36, "Shop equipment." The cost of labor and supplies used in the creosoting plant shall be included upon an equitable basis in the cost of the material treated.

CASE 159.

Query. What account should be charged with the cost of electric meters installed by an electric railway on the premises of customers to whom current is furnished for power and light?

Answer. The cost of meters installed on customers' premises shall be included in account No. 521, "Distribution system," in the classification for road and equipment.

If desired, appropriate subaccounts may be opened for the purpose of keeping separate from railway accounts the investment in and maintenance of meters installed on the premises of customers of the power and light department.

CASE 160.

Query. What account should be charged when conductors are given relief from charges for shortages shown by register readings and credited to "Passenger revenue"? The relief is granted as the result of investigation or at the request of the superintendent on account of operating conditions.

Answer. "Passenger revenue" shall be charged, as the amounts in question were previously credited to it.

CASE 161.

Query. What account should be charged with the amount assessed against a street railway for paving and a sewer? As the work is done for the city by contract, the actual cost can not be determined for either the paving or the sewer.

Answer. The amount of the assessment shall be apportioned as equitably as may be between account No. 511, "Paving," and account No. 502, "Right of way," in the classification for road and equipment. (See Cases 2, 85, and 396.)

CASE 162.

Query. As a condition to permission to place double tracks in subways under the tracks of steam roads, a company was required by ordinance to change the grade on a street in another part of the city. Should the cost of the work on the city street, such as the changing of the grade, curbing, etc., be charged to account No. 502, "Right of way," in the classification for road and equipment?

Answer. Yes. (See Case 349.)

CASE 163.

Query. To what account should a street railway company charge periodical payments to a city for the privilege of operating cars and stringing wires over a bridge crossing a river?

Answer. To account No. 215, "Taxes assignable to railway operations."

CASE 164.

Query. To what account should be charged fees of witnesses and others appearing for a motorman and conductor at a coroner's inquest, occasioned by an accident?

Answer. To account No. 92, "Injuries and damages," in the classification of operating expenses.

CASE 165.

Query. Should account No. 59, "Power purchased," in the classification of operating expenses include the cost of all power purchased for use in connection with the operation of a line, or of only the amount actually used for the propulsion of cars? A considerable portion of the power purchased is used in lighting cars and car barns and in operating track cranes, etc.

Answer. The entire cost of power purchased shall be charged to account No. 59, "Power purchased." (See Case 140.)

CASE 166.

Query. To what account should be charged the cost, which is small, of loading and unloading cinders used in filling ground around a power plant and car barns?

Answer. To operating expense account No. 24, "Buildings, fixtures, and grounds," or No. 46, "Power plant buildings, fixtures, and grounds," as may be appropriate. (See Case 289.)

CASE 167.

Query. To what account should be charged the cost of dry batteries required for telephone instruments?

Answer. If the telephones are used primarily in the operation of cars, the cost of dry batteries required shall be charged to account No. 73, "Operation of telephone and telegraph lines"; if for local telephone service at stations they shall be charged to account No. 69, "Station expenses"; if in connection with the general management of the company they shall be charged to account No. 89, "Miscellaneous general expenses." (See Cases 68 and 149.)

CASE 168.

Query. To what account should be charged the cost of rubber bands used by conductors in sorting and bunching tickets lifted?

Answer. To account No. 94, "Stationery and printing."

CASE 169.

Query. To what account should be charged the cost of sleet cutters and sleet-cutter wheels?

Answer. The first cost shall be charged to account No. 533, "Electric equipment of cars," in the classification for road and equipment. The cost of repairing and replacing sleet cutters and sleet-cutter wheels shall be charged to operating expense account No. 33, "Electric equipment of cars."

CASE 170.

Query. To what account in the classification of operating-revenues should be credited receipts for the transportation of corpses?

Answer. To account No. 101, "Passenger revenue."

CASE 171.

Query. An electric railway company does repair work for a steam road, rendering a bill for the actual labor and material used and for the service of a motor work car at a certain rate per car-mile. To what account should be credited the amount charged for the service of the work car?

Answer. To revenue account No. 100, "Miscellaneous transportation revenue."

CASE 172.

Query. A traction company engaged in construction was sued by a gas company for damages to the latter's pipe line along and across the former's right of way. To what account should the traction company charge the amount of damages awarded and the costs?

Answer. To account No. 502, "Right of way," in the classification for road and equipment.

CASE 173.

Query. To what account should be charged the cost of velocipedes and of hand and push cars for use on an electric railway?

Answer. The cost of first installation shall be charged to account No. 512, "Roadway machinery and tools," in the classification for road and equipment. The cost of repairs and renewals shall be charged to operating expense account No. 9, "Miscellaneous track and roadway expenses."

CASE 174.

Query. In cases where repairs are necessitated by the failure of concrete base for ballast, should the cost of tearing up and replacing paving be charged to "Ballast" or to "Paving"?

Answer. The cost of tearing up and replacing paving in connection with such repairs shall be charged to account No. 10, "Paving," in the classification of operating expenses.

CASE 175.

Query. An electric railway company has rented space for its transmission line in another company's subway. To what account should be charged the rent paid?

Answer. To operating expense account No. 49, "Transmission system."

CASE 176.

Query. To what account should be charged the cost of a stationary crushing plant located in a stone quarry and used by an electric railway in the production of ballast for maintenance?

Answer. To account No. 512, "Roadway machinery and tools," in the classification for road and equipment.

CASE 177.

Query. To what account should be charged the cost of gage glasses and gage-glass preservers?

Answer. The cost of first installation shall be charged to account No. 542, "Power plant equipment," in the classification for road and equipment; and the cost of repairs and replacements to account No. 47, "Power plant equipment," in the classification of operating expenses.

CASE 178.

Query. To what account should be credited the revenue from the transportation of dogs?

Answer. If the dogs are carried as baggage in baggage cars the revenue shall be credited to account No. 102, "Baggage revenue"; if carried as express, to account No. 105, "Express revenue"; if carried by an urban road which does not make a practice of carrying either baggage or express matter the credit shall be to account No. 109, "Miscellaneous transportation revenue."

CASE 179.

Query. To what account should be charged the expenses of a general manager, whose duties include those of passenger and freight agent, while attending affix associations?

Answer. To account No. 83, "Salaries and expenses of general officers," in the classification of operating expenses.

CASE 180.

Query. What account should be charged for labor unloading coal at car houses for use in car stoves?

Answer. The cost of unloading shall be added to the cost of the fuel. If, however, the work of unloading is done by regular car house operating employees it is not necessary to charge a portion of their wages to the cost of the fuel.

CASE 181.

Query. To what account should be charged the cost of labor unloading coal at a power plant?

Answer. The cost of unloading shall be added to the cost of the fuel. If, however, the work of unloading is done by regular power plant operating employees it is not necessary to charge a portion of their wages to the cost of the fuel. (See Cases 55, 109, and 180.)

CASE 182.

Query. A company operating its line with gasoline motor cars has adopted the classification prescribed for electric railways. What account should be charged with the cost of repairs to engine, transmission, or ignition parts? What account should be charged with the cost of batteries, spark plugs, connecting wire and terminals, electrolyte for storage batteries, etc.?

Answer. The cost of repairs to the motor features of gasoline motor cars shall be charged to account No. 84, "Locomotives" (preferably in a subaccount), and the cost of repairs to the car features of such motor cars shall be charged to account No. 30, "Passenger and combination cars"; account No. 81, "Freight, express, and mail cars"; or account No. 32, "Service equipment," as may be appropriate.

The cost of repairs or renewals of batteries, spark plugs, connecting wire and terminals, electrolyte for storage batteries, and other appliances for the motive power of such cars shall be charged to account No. 34, "Locomotives," (preferably in a subaccount). (See Case 4.)

CASE 183.

Query. A practically new car was destroyed in a wreck, the salvage amounting to a few hundred dollars. What disposition should be made of the loss and the salvage?

Answer. The road and equipment account to which the cost of the car was originally charged shall be credited with the ledger value of the equipment destroyed, and the amount of the credit shall be concurrently charged as follows:

The value of the salvage shall be charged to "Material and supplies"; account No. 443, "Accrued depreciation—Road and equipment," shall be charged with the amount carried therein in connection with the equipment destroyed; the amount of depreciation prior to July 1, 1914, not previously written off; shall be charged to Profit and Loss; and the remainder of the credit shall be charged to operating expense account No. 41, "Equipment retired."

CASE 184.

Query. A city proposes to repave its streets with improved materials and the street railway company is required by the terms of its franchise to repave its strip at the same time and with the same kind of material. Would it be proper to charge the cost of the new paving to account No. 511, "Paving," in the classification for road and equipment?

Answer. The excess cost of the new paving over the cost of the original paving shall be charged to road and equipment account No. 511, "Paving," and the remainder, including the cost of removing old paving, to operating expense account No. 10, "Paving."

CASE 185.

Query. A street railway line was constructed in unpaved streets, and after the line had been in operation for a number of years the city decided to pave. To what account should be charged the railway's share of the cost of paving?

Answer. To account No. 511, "Paving," in the classification for road and equipment. (*See Case 99.*)

CASE 186.

Query. An electric railway obtained permission to increase its capital stock by \$500,000. Of this increase \$250,000 was authorized and issued for the specified purpose of a 25 per cent stock dividend, but the remaining \$250,000 was not authorized for any specific purpose and was not issued. Should the entry in the general ledger be made to cover more than the \$250,000 authorized and issued?

Answer. No. Capital stock shall be considered as issued only when the certificates are signed and sealed and placed with the proper officer for sale or delivery.

CASE 187.

Query. Should any charge be made to account No. 68, "Superintendence of transportation," for the services of agents and substation men used to some extent in dispatching trains and in delivering dispatchers' orders to train crews?

Answer. No charge shall be made to the superintendence account for such incidental service. (*See Cases 55 and 109.*)

CASE 188.

Query. An electric railway company proposes to furnish electric current for lighting some small towns along its line, also to furnish power for the operation of several manufacturing plants. How should the revenues and expenses be handled?

Answer. If a general power and light business is to be undertaken in connection with the railway business, it should be treated as an auxiliary operation. The several accounts entitled "Other operations—Cr." in the classification of operating expenses shall be used to exclude from the total of each general account the portion of expenses that is not applicable to the railway business, these expenses being charged to account No. 214, "Auxiliary operations—Expenses." The revenues from the power and light business shall be credited to account No. 202, "Auxiliary operations—Revenues." (*See Cases 7, 28, 198, 300, 362, and account No. 118.*)

CASE 189.

Query. To what accounts should be charged the cost of applying a new form of coupler to motor cars to be used in connection with trailers?

Answer. Such cost should ordinarily be charged to operating expense account No. 30, "Passenger and combination cars"; account No. 31, "Freight, express, and mail cars"; or account No. 32, "Service equipment," according to the class of equipment to which the couplers are applied.

If the couplers applied are heavier or of an improved type, and the cost is considerable, the excess cost of the new couplers over the original cost of those removed shall be charged to the proper account in the classification for road and equipment.

CASE 190.

Query. To what account should be charged the cost of additions to a small plant operated by a railway company to furnish power for lighting in one of the towns on its line?

Answer. The cost of additions to the machinery and equipment of the plant shall be charged to account No. 542, "Power plant equipment," and of additions to the building to account No. 539, "Power plant buildings," in the classification for road and equipment.

CASE 191.

Query. To what account should be charged the cost of cutting trees and removing stumps from the right of way of an electric railway?

Answer. To account No. 504, "Grading," in the classification for road and equipment.

CASE 192.

Query. Ties are frequently purchased some time in advance of their actual use in track work. Should their cost be charged to Operating Expenses in the month in which payment is made or in the month in which they are put in the track?

Answer. The cost of ties shall be charged to a material account at the time of purchase. This account shall be credited and operating expense account No. 3, "Ties," charged from month to month with the value of the ties put in the track.

In order that the cost of renewing ties may be distributed to the 12 months of the year, there would be no objection to charging the operating expense account "Ties" each month with its proportion of the total amount authorized or approximated for renewals during the fiscal year, regardless of the month in which the actual renewals are made, but the account shall be adjusted at the end of the year to the actual expenditures during the year.

In this connection note that equalization accounts Nos. 28, 44, and 51 have been provided for the convenience of carriers desiring to have each month's operating expenses reflect, by general account totals, an equitable proportion monthly of the estimated or authorized maintenance expenses for the year and show at the same time actual expenditures by primary accounts.

CASE 193.

Query. In the construction of a street railway it is necessary to team rails from a yard to the street in which they are to be laid. To what account should be charged the cost of such teaming and the cost of unloading the rails in the street?

Answer. To account No. 510, "Track and roadway labor," in the classification for road and equipment.

CASE 184.

Query. An electric railway company operating a line crossing a county bridge is required by the terms of its franchise to pay part of the cost of strengthening the bridge. To what account or accounts should be charged the amount paid?

Answer. The cost of the portion of the work properly considered as betterments to the bridge shall be charged to road and equipment account No. 502, "Right of way," and the remainder to operating expense account No. 15, "Bridges, trestles, and culverts."

CASE 185.

Query. To what account should be charged the cost of repairs to a high smokestack at a power plant?

Answer. The cost of repairs to a smokestack which forms a part of the power plant shall be charged to operating expense account No. 46, "Power plant buildings, fixtures, and grounds."

CASE 186.

Query. When equipment of the type ordinarily installed in substations is installed in a power plant building, should its cost be charged to road and equipment account No. 542, "Power plant equipment," or to No. 543, "Substation equipment"?

Answer. If the equipment is for use in connection with power generated in the same power plant, its cost shall be charged to account No. 542, "Power plant equipment." If it is to transform power generated elsewhere, its cost shall be charged to account No. 543, "Substation equipment."

CASE 187.

Query. Should operating revenue account No. 103, "Parlor, sleeping, dining, and special car revenue," be credited with revenue derived from the operation of cars of the ordinary type on special or extra trips to handle an increase in traffic?

Answer. No; but the revenue from cars furnished for private use under special arrangement shall be credited to that account.

CASE 188.

Query. To what accounts should be charged the first cost and the cost of maintenance of a lighting plant operated in connection with an electric railway?

Answer. The first cost of the building for such a plant shall be charged to road and equipment account No. 539, "Power plant buildings," and the first cost of machinery and other equipment to account No. 542, "Power plant equipment." The first cost of the distribution system shall be charged to account No. 521, "Distribution system," and the first cost of the transmission system to account No. 544, "Transmission system."

All expenses in connection with the maintenance and operation of the light plant shall be included in the appropriate railway primary accounts under the general account Power, and if the light department is conducted as an auxiliary operation an equitable proportion of such expenses shall be charged to the light department through account No. 214, "Auxiliary operations—Expenses," and corresponding credit made to account No. 62, "Other operations—Cr."

If the light business is small in amount and is not accounted for as an auxiliary operation, the cost of maintaining and operating the light plant shall be included in the appropriate railway operating expense accounts. (*See Cases 28, 188, 300 and 362.*)

CASE 199.

Query. To what account should be charged the loss from the operation of a hotel for the accommodation of employees, some being engaged in construction and some in transportation operation?

Answer. The net cost shall be apportioned between account No. 529, "Other expenditures—Way and structures," or No. 550, "Miscellaneous," as may be appropriate, and account No. 78, "Other transportation expenses," in the classification of operating expenses; or, if the amount is considerable, it may be divided among the various accounts affected.

CASE 200.

Query. To what account should be charged the cost of material for seats and sides purchased for use in converting open cars into closed cars?

Answer. Account No. 530, "Passenger and combination cars," in the classification for road and equipment, shall be charged with so much of the cost of converting open cars into closed cars as represents the excess value of the closed cars over the cost of the open cars. The remainder of the cost shall be charged to account No. 30, "Passenger and combination cars," in the classification of operating expenses.

CASE 201.

Query. To what accounts should be charged payments made to the Trans-continental Freight Bureau for the salaries of weighmasters located at various points on a railway's line?

Answer. To account No. 68, "Station employees."

CASE 202.

Query. What is the distinction between account No. 515, "Bridges, trestles, and culverts," and account No. 516, "Crossings, fences, and signs," in the classification for road and equipment, with reference, for instance, to the accounting for the cost of building an undergrade crossing for a highway?

Answer. Account No. 515, "Bridges, trestles, and culverts," shall include the cost of the structure (including foundations and abutments) built to carry the railway track over the highway, while the cost of the roadway passing under the bridge, including the cost of labor and material used in constructing the roadway and the cost of drainage arrangements and excavation, shall be charged to account No. 516, "Crossings, fences, and signs."

CASE 203.

Query. To what account should be charged the cost of new copper trolley wire stolen from the storehouse but recovered after being cut into short lengths?

Answer. The cost of the wire, less the value of scrap recovered, shall be charged to operating expense account No. 95, "Store expenses."

CASE 204.

Query. Should the cost of constructing commercial power lines for power and light business in connection with a railway be included in the accounts prescribed in the classification for road and equipment?

Answer. Yes.

CASE 205.

Query. To what accounts should be charged and credited amounts paid and received in the redemption of transfers issued by two connecting electric railways?

Answer. The transfer arrangement is in effect a division of revenues for through service. The amounts paid to another company for the redemption of transfers shall be charged to account No. 101, "Passenger revenue" in the classification of operating revenues, and the amounts received shall be correspondingly credited to the same account.

CASE 206.

Query. To what account should be charged the cost of repairs and replacements of watchmen's portable clocks used in a carhouse and the cost of paper dials used in such clocks?

Answer. The cost of repairs and replacements of such clocks shall be included in operating expense account No. 71, "Carhouse expenses," and the cost of the paper dials in account No. 94, "Stationery and printing."

CASE 207.

Query. To what account should be charged the amount assessed against an electric railway company for first cost of dredging a stream so as to drain towns and lands along said stream?

Answer. To road and equipment account No. 502, "Right of way," (See Case 119.)

CASE 208.

Query. To what account should be charged the rent of coal pockets for storing coal for use of power plants?

Answer. To account No. 56, "Miscellaneous power plant supplies and expenses."

CASE 209.

Query. To what account should be charged the cost of oil cans and other such devices for use by employees of various departments?

Answer. The cost of oil cans and such devices shall be charged to operating expense account No. 56, "Miscellaneous power plant supplies and expenses"; No. 58, "Substation supplies and expenses"; No. 71, "Carhouse expenses"; No. 37, "Shop expenses"; No. 23, "Miscellaneous electric line expenses"; No. 67, "Miscellaneous car-service expenses"; or No. 69, "Station expenses," according to the use for which they are intended.

CASE 210.

Query. To what accounts should be charged the first cost and the cost of repairs and renewals of trolley retrievers and catchers?

Answer. The first cost shall be charged to road and equipment account No. 530, "Passenger and combination cars"; No. 531, "Freight, express, and mail cars"; No. 532, "Service equipment"; or No. 534, "Locomotives," according to the class of equipment fitted with the devices.

The cost of repairs and renewals shall be charged to operating expense account No. 30, "Passenger and combination cars"; No. 31, "Freight, express, and mail cars"; No. 32, "Service equipment"; or No. 34, "Locomotives," as may be appropriate.

CASE 211.

Query. To what account should be charged the cost of transformer oil for use in power plants or substations?

Answer. The first cost shall be charged to road and equipment account No. 542, "Power plant equipment," if the oil is for use in a power plant, or to account No. 543, "Substation equipment," if for use in a substation. The cost of renewals shall be charged to operating expense account No. 47 or No. 48, as may be appropriate.

CASE 212.

Query. To what account should be charged the cost of flowers and shrubs, the cost of labor for planting them about various buildings, and the cost of mowing lawns?

Answer. To operating expense account No. 24, "Buildings, fixtures, and grounds," No. 46, "Power plant buildings, fixtures, and grounds," or No. 71, "Carhouse expenses," as may be appropriate. If, however, the amounts involved are small and the work is done by employees of the Company as incidental to their regular duties, it is not necessary to apportion the pay of such employees.

CASE 213.

Query. To what account should be charged a license fee paid in accordance with the State law relating to inspection?

Answer. To account No. 89, "Miscellaneous general expenses."

CASE 214.

Query. To what account should be charged the cost of a car body constructed for use as a portable substation?

Answer. Assuming that the car body in question is mounted on trucks as a car, the cost of its construction shall be charged to account No. 543, "Substation equipment."

CASE 215.

Query. To what account should be charged the wages paid by an electric railway to the crews of steam locomotives used in switching freight cars at terminals?

Answer. To operating expense account No. 65, "Freight and express conductors, motormen, and trainmen."

CASE 216.

Query. To what account should be charged the cost of renewals of lamp cord, electric lamps, sockets, and switches used in carhouses, shops, power plants, substations, freight stations, and passenger stations?

Answer. To operating expense account No. 71, "Carhouse expenses"; No. 37, "Shop expenses"; No. 56, "Miscellaneous power plant supplies and expenses"; No. 58, "Substation supplies and expenses"; or No. 69, "Station expenses," according to the place where the articles are used.

CASE 217.

Query. A city builds a new bridge of sufficient strength to carry heavy cars. A railway company extending its lines over it is asked to pay the excess cost of the bridge over that of one built for ordinary highway travel only. To what account should the railway company charge such a payment?

Answer. To account No. 502, "Right of way," in the classification for road and equipment. (See Case 194.)

CASE 218.

Query. An electric railway company is having a branch line built by contract for a lump sum, payment being made each month for the estimated portion of the work completed. No distribution of expenditures is furnished to the railway company. Should the entire cost of the branch line be included in account No. 527, "Cost of road purchased," in the classification for road and equipment?

Answer. It would be preferable to have the detailed distribution made of the amounts paid among the several primary accounts of the classification for road and equipment as the work is done; otherwise the entire cost may be charged to account No. 527, "Cost of road purchased," and cleared in accordance with the provisions of the text of this account.

CASE 219.

Query. To what account should be charged receivers' allowances and expenses?

Answer. To operating expense account No. 83, "Salaries and expenses of general officers," except that expenses incurred for legal services shall be charged as indicated in the text of account No. 86, "Law expenses."

CASE 220.

Query. To what account should be charged counsel fees paid for the preparation of the legal papers required in the merger of one electric railway company with another?

Answer. To account No. 546, "Law expenditures," in the classification for road and equipment.

CASE 221.

Query. To what account should an electric railway company charge the cost of concrete in which the ties are embedded and on which paving is laid?

Answer. The cost of the materials shall be charged to account No. 505, "Ballast," and the cost of labor to account No. 510, "Track and roadway labor."

CASE 222.

Query. To what account should be charged the cost of a passenger elevator in a power plant?

Answer. To account No. 539, "Power plant buildings," in the classification for road and equipment.

CASE 223.

Query. To what account should be charged the cost of filler blocks and guard rails used in connection with ordinary curves?

Answer. To account No. 507, "Rails, rail fastenings, and joints," in the classification for road and equipment.

CASE 224.

Query. To what accounts should be charged the cost of moving and maintaining tracks, portable crossovers, and other work necessary to maintain continuous operation during the progress of reconstruction work?

Answer. To the appropriate operating expense accounts under general account Way and Structures.

CASE 225.

Query. What account is chargeable with the cost of guard rails on bridges?

Answer. The cost of additional track rails laid to prevent cars from jumping the track shall be charged to road and equipment account No. 507, "Rails, rail fastenings, and joints." The cost of timbers or other devices placed at the sides of the bridge to prevent cars from leaving the structure if they jump the track shall be charged to account No. 515, "Bridges, trestles, and culverts." (See Case 115.)

CASE 226.

Query. To what account should be charged the cost of excavation for underground construction?

Answer. The cost of excavation for underground construction for a system operated by underground electric contact or cable shall be charged to road and equipment account No. 509, "Underground construction." Excavation for conduits for feeders or return wire or cables shall be charged to account No. 520, "Underground conduits."

CASE 227.

Query. To what account should be credited the amount received for advertising in time-tables?

Answer. The amount received for the sale of advertising space in time-tables shall be credited to operating expense account No. 80, "Advertising."

CASE 228.

Query. To what account should be charged the cost of land and of water rights incident thereto, when acquired for reservoirs and pipe lines?

Answer. To road and equipment account No. 508, "Other land used in electric railway operations."

CASE 229.

Query. To what accounts should be charged the cost of railway tracks and wagon roads built for exclusive service of water-power stations and the cost of wagon roads built to facilitate the patrolling of reservoirs, canals, etc.?

Answer. The cost of the tracks shall be distributed among the various construction accounts in the same way as the cost of other tracks. The cost of the

wagon roads serving the power stations shall be charged to the account to which the cost of the power stations is charged. The cost of the wagon roads built to facilitate the patrolling of reservoirs, canals, etc., shall be charged to road and equipment account No. 541, "Dams, canals, and pipe lines."

CASE 230.

Query. To what account should be charged the cost of signs warning against a third-rail?

Answer. To account No. 516, "Crossings, fences, and signs."

CASE 231.

Query. To what account should be charged the loss sustained by an electric railway company from the hold-up of a conductor, or through the defalcation of a conductor?

Answer. To operating expense account No. 78, "Other transportation expenses."

CASE 232.

Query. Is it proper to charge the various operating expense accounts for the transportation of employees of the different operating departments?

Answer. No charge shall be made against a company's operating expenses on account of the free transportation over its own lines of men, on or off duty, employed in maintenance or operation.

CASE 233.

Query. To what accounts should be charged the cost of construction and maintenance of cars equipped as track riveting machines or portable substations?

Answer. The first cost of electric motive equipment for track riveting machines or for portable substations shall be charged to road and equipment account No. 533, "Electric equipment of cars." The first cost of car bodies and trucks for the track riveting machines, together with the cost of the machines, shall be charged to account No. 532, "Service equipment." The cost of car bodies and trucks for portable substations shall be included with the cost of the substation equipment in account No. 543, "Substation equipment."

The cost of maintenance of riveter cars shall be correspondingly assigned to operating expense accounts No. 33, "Electric equipment of cars," and No. 32, "Service equipment"; and of substation cars to account No. 48, "Substation equipment."

CASE 234.

Query. In making an extension of a power house, it was necessary to tear down the end wall. The salvage, with other material, was used in building a new wall. What disposition should be made of charges and credits in such a case?

Answer. The cost of wall removed shall be credited to the road and equipment account to which it is charged. The same cost, less the value of salvage, together with the cost of removal, shall be charged to Operating Expenses. The cost of the new wall shall be charged to road and equipment account No. 539, "Power plant buildings."

CASE 235.

Query. To what accounts should be charged the rent of rooms and the cost of telephone service for the claims department, which is accommodated in a portion of the space rented for general offices?

Answer. The rent shall be charged to operating expense account No. 85, "General office supplies and expenses," and the cost of telephone service to account No. 89, "Miscellaneous general expenses." (See Case 68.)

CASE 236.

Query. An electric railway company which owns a private right of way in a city is required to pave intersecting streets to the full width of the right of way. To what account should be charged the first cost of such paving?

Answer. To road and equipment account No. 511, "Paving." (See Case 134.)

CASE 237.

Query. To what accounts should be charged the cost of packing used in power plants, carbon rings for turbines, and power plant tools?

Answer. The cost of packing and of carbon rings for turbines shall be charged to operating expense account No. 47, "Power plant equipment"; the cost of repair parts of machine tools in power plants also to account No. 47; and the cost of hand tools to account No. 56, "Miscellaneous power plant supplies and expenses."

CASE 238.

Query. To what account should be charged the first cost of welding rail joints?

Answer. If the work is done on existing tracks, the cost shall be charged to operating expense account No. 5, "Rail fastenings and joints," unless the welded joint is more expensive and is a distinct improvement over the joint replaced, in which case the excess cost of the new joint over the original cost of the old one shall be charged to account No. 507, "Rails, rail fastenings, and joints," the remainder of the cost being charged to Operating Expenses, as indicated above. If the welding of joints is done as part of the original construction of the road, the entire cost shall be charged to account No. 507, "Rails, rail fastenings, and joints."

CASE 239.

Query. To what account should be charged the rent of a floor in a building to provide space for the receivers of conductors' collections, and for instruction and club rooms?

To what account should be charged the cost of maintaining the furniture and equipment of the club room, and incidental expenses therefor?

Answer. The rent of the portion of the building used for receiving and instruction rooms shall be charged to operating expense account No. 63, "Superintendence of transportation."

The rent of the portion used for recreation purposes, the maintenance of its furniture and equipment, and the incidental expenses of operation shall be charged to account No. 78, "Other transportation expenses." If the rent is an insignificant amount it may all be included in account No. 63, "Superintendence of transportation."

CASE 240.

Query. To what account should an electric railway company charge the loss resulting from a fire which destroyed a station building not covered by insurance?

Answer. The cost of the building shall be credited to road and equipment account No. 524, "Stations, miscellaneous buildings, and structures," and if not to be replaced such cost shall be charged, less depreciation accrued, if any, to account No. 315, "Loss on road and equipment retired;" if it is to be replaced, the original cost, less depreciation accrued, shall be charged to operating expense account No. 24, "Buildings, fixtures, and grounds."

CASE 241.

Query. Is it permissible to make an apportionment of the rent paid for the use of land occupied by a building used in part as a carhouse, in part as a repair shop, and in part as a storeroom?

Answer. The entire amount of rent shall be charged to account No. 217, "Miscellaneous rents."

CASE 242.

Query. To what account should be charged the cost of repairs to a transformer located on a pole outside of a station building for the purpose of stepping down high-tension current in order to furnish electric light for the station?

Answer. To operating expense account No. 69, "Station expenses."

CASE 243.

Query. An electric railway company sells current delivered for power and light directly from the trolley line. To what account should be charged the first cost of meters installed in connection with this business, and the cost of reading the meters?

Answer. The cost of installing meters for the purpose described shall be charged to road and equipment account No. 521, "Distribution system." No charge shall be made for the wages of an employee who reads the meters, if it is done as incidental to his ordinary duties. (See Case 362.)

CASE 244.

Query. To what account should be credited the amount of a trainman's deposit not called for on his leaving the service of the company?

Answer. If the company chooses to close the liability account for such a deposit, the amount shall be credited to profit and loss account No. 306, "Miscellaneous credits."

CASE 245.

Query. A company operates a coal mine as an auxiliary operation, the railway department furnishing cars to haul material for maintenance and construction in the coal-mining department and rendering bill for the cost of power used, the cost of maintaining the cars, and the wages of the train crews. To what account should the railway department credit amounts so received?

Answer. The amounts received for the maintenance of the cars and for power shall be credited to accounts Nos. 43 and 62, "Other operations—Cr.," respectively, while the amounts received for the wages of the train crews shall be credited to the accounts to which the wages were originally charged.

CASE 246.

Query. To what account should be charged the cost of tracing cloth and blue-print paper used by the engineering department?

Answer. To operating expense account No. 94, "Stationery and printing."

CASE 247.

Query. To what accounts should be charged the cost of constructing and maintaining a line of railway on right of way held under perpetual lease?

Answer. The cost of construction shall be charged to the appropriate accounts in the classification for road and equipment, and the cost of maintenance to Operating Expenses.

CASE 248.

Query. To what account should be charged the wages paid to flagmen employed to facilitate car movement during renewals of track?

Answer. To operating expense account No. 66, "Miscellaneous car-service employees."

CASE 249.

Query. To what account should be credited the value of scrap which is recovered in making renewals of trolley brackets, but is not to be sold until later—perhaps after the close of the fiscal year?

Answer. The estimated salvage value shall be credited to operating expense account No. 20, "Poles and fixtures," at the time of the renewals. Any adjustment necessary when the material is sold shall also be made through Operating Expenses.

CASE 250.

Query. A company desires to set up in the depreciation reserve account the estimated amount of depreciation which has accrued from the beginning of its operations to the present. How should such adjustment be entered in the accounts?

Answer. That proportion of the charges representing depreciation on equipment covered by accounts Nos. 530 to 535, inclusive, and assignable to the period prior to July 1, 1914, shall be included in profit and loss account No. 317, "Miscellaneous debits," and a corresponding reserve created; that proportion of depreciation on such equipment assignable to the period subsequent to July 1, 1914, will have been provided for by the required monthly charges to operating expense account No. 40, "Depreciation of equipment," the corresponding credits being made to balance-sheet account No. 443, "Accrued depreciation—Road and equipment."

If a company desires to make an adjustment of depreciation on fixed improvements and property not included in accounts Nos. 530 to 535, inclusive, that proportion of such depreciation assignable to the period prior to the current fiscal year shall be charged to profit and loss account No. 317, "Miscellaneous debits," and the proportion assignable to the current fiscal year to accounts No. 25, "Depreciation of way and structures," and No. 50, "Depreciation of power plant buildings and equipment," as may be appropriate, and a corresponding reserve created.

CASE 251.

Query. An electric railway company is required to lay improved paving and before doing so puts its tracks in good repair. To what accounts should be charged the cost of the track work and of the paving?

Answer. The cost of labor and material used in the track work shall be charged to the appropriate operating expense accounts. The excess cost of the new and improved paving over the original cost (estimated, if not known) of the paving replaced shall be charged to road and equipment account No. 511, "Paving," and the remainder of the cost to operating expense account No. 10, "Paving."

CASE 252.

Query. To what account should be charged such part of the cost of restoring a trestle destroyed by fire as is in excess of the amount of insurance recovered?

Answer. To operating expense account No. 15, "Bridges, trestles, and culverts," except that any excess in the cost of the new trestle over the cost of the old as carried in the construction accounts shall be charged to road and equipment account No. 515, "Bridges, trestles, and culverts."

CASE 253.

Query. To what accounts should be charged the first cost and cost of maintenance of telephone booths located along the track in public ways for use in dispatching cars or trains?

Answer. The first cost shall be charged to road and equipment account No. 518, "Telephone and telegraph lines," and the cost of maintenance to operating expense account No. 18, "Telephone and telegraph lines."

CASE 254.

Query. An interurban electric railway engaged in passenger and freight business derives a portion of its revenue from switching steam railroad cars. To what account should be charged demurrage incurred on these steam railroad cars?

Answer. To operating expense account No. 78, "Other transportation expenses." If, in any case, a portion of the demurrage is recovered from the consignee or shipper, only the net amount payable shall be included in account No. 78.

CASE 255.

Query. To what account should be charged the cost of printing cards and passes for the use of officers and employees of the company?

Answer. To operating expense account No. 94, "Stationery and printing."

CASE 256.

Query. To what account should be charged expenditures, in connection with construction, for grading parkways between tracks on streets?

Answer. To road and equipment account No. 504, "Grading."

CASE 257.

Query. To what accounts in the classification for road and equipment should be charged the cost of building and maintaining timekeepers' offices and temporary tool and supply houses; also the rent of ground in connection therewith?

Answer. On the assumption that the expenditures referred to are in connection with construction, the cost of building and repairing and the rent paid for ground in connection therewith shall be included in the accounts to which the cost of the work is charged. Any salvage recovered at the conclusion of the work shall be credited to accounts charged.

CASE 258.

Query. To what account should be credited the proceeds received from the sale of a construction grading camp? This camp was built and maintained for the purpose of boarding men employed in grading during the construction period.

Answer. Assuming that the cost of constructing the grading camp was charged to road and equipment account No. 504, "Grading," the proceeds from the sale of the camp shall be credited to that account.

CASE 259.

Query. At one of the stations on an interurban line a spur track is maintained for convenient handling of freight. Alongside of this spur track is a plank driveway which the company has to repair. To what account should be charged the cost of this repairing?

Answer. To operating expense account No. 24, "Buildings, fixtures, and grounds."

CASE 260.

Query. Railway companies A, B, and C built a joint railway and highway bridge across a stream between two counties. The cost of the bridge was borne jointly by the three railway companies and the two counties. The contract between the railway companies for the erection and operation of the bridge provides that each company shall receive credit for one-third of the amount contributed by the counties, as each company will have borne one-third of the cost of maintenance and operation.

The bridge is to be maintained and operated by Company A, Companies B and C paying each one-third of the cost, and the counties contributing a stated amount per annum for the maintenance of the highway portion. Company A has charged its proportion of the cost of maintenance and operation to accounts No. 15, "Bridges, trestles, and culverts"; No. 17, "Signal and interlocking apparatus"; No. 59, "Power purchased"; No. 66, "Miscellaneous car-service employees"; and No. 78, "Other transportation expenses." Is this correct? And how should the amount paid by the counties be credited in the railway companies' accounts?

Answer. The accounting is correct. Assuming that the distribution of the cost of maintaining and operating the bridge is charged to the proper operating expense accounts of each company, the amounts received from the counties shall be credited by each company to the primary accounts affected.

CASE 261.

Query. A company has made a change in the alignment of its tracks in order to avoid conditions dangerous to the public. In connection with the work there has been considerable expense in resetting curbs and repaving sidewalks. Should the cost of changing curbs and sidewalks be charged to road and equipment accounts?

Answer. The cost of relocating and relaying curbs in connection with realignment of tracks, in order to make operations safer, shall be charged to the proper maintenance accounts in operating expenses. If new curbs have been constructed or new paving laid where none existed previously, the cost thereof shall be charged to the proper road and equipment accounts.

CASE 262.

Query. When a station is built at a point where the right of way is wide enough to accommodate it, should the cost of the land upon which the station is built be credited to account No. 502, "Right of way," and debited to account No. 503, "Other land used in electric railway operations"?

When a station is built at a point where the right of way is wide enough to accommodate only a part of the station, and additional property is purchased, the width added to the right of way making it no wider than the right of way at other near-by points, should the additional property purchased be charged to account No. 503 or account No. 502?

Answer. If the company in purchasing a right of way does not purchase an additional width in the expectation of using the same for station or other purposes, the entire cost of the property shall be charged to account No. 502, "Right of way."

If the company purchases an additional width for the purpose of using it at once or in the future for purposes other than construction of roadbed, the value of this additional land shall be charged to account No. 503, "Other land used in electric railway operations."

CASE 263.

Query. A company moved a special train at a guaranty of a specified lump sum. The total fares of the passengers on this train did not equal the guaranty, based on the local tariff, leaving a deficiency of \$15.20. To what account should the deficiency be credited when collected?

Answer. Both fares and deficiency shall be credited to account No. 103, "Parlor, sleeping, dining, and special car revenue."

CASE 264.

Query. A company has been compelled by a State highway commission to move about 1,000 feet of its track from the side to the center of the road, and also to pave between the rails. To what accounts should be charged the cost of moving the track and of paving?

Answer. If no additions or betterments were made in connection with the transfer of the track from the side to the center of the road, the expense incurred in connection with this removal shall be charged to Operating Expenses.

If there was no paving between the rails as originally laid, and paving has been put in after the removal of the tracks to the center of the road, the cost of the paving, being additional, shall be charged to road and equipment account No. 511, "Paving." If, however, there was similar paving between the rails before the track was moved, the cost of paving in the center of the road shall be charged to operating expense account No. 10, "Paving."

CASE 265.

Query. A company has expended a considerable sum in new construction which will not be completed until March 1. Is it necessary to distribute the amount expended to December 31 to the primary construction accounts, or may the balance be carried in suspense till the work is completed?

Answer. The expenditure to December 31 shall be distributed, if possible, to the appropriate road and equipment accounts and so reported in the annual report to the Commission for the year ending December 31. If it is impossible to properly distribute such expenditure, the amount thereof may be carried over the fiscal year and reported on the balance sheet under an appropriate title in account No. 420, "Other unadjusted debits."

CASE 266.

Query. This company is taking up 40-pound rail which was laid about 10 years ago, and is about to lay 70-pound rail in its place. The cost of the old rail will be taken out of the road and equipment accounts, and the cost of the new rail charged thereto. What account should be charged with the cost of labor taking up the old rail?

Answer. The cost of labor expended in taking up old rail for the purpose of replacing same shall be charged to operating expense account No. 8, "Track and roadway labor." (See Case 359.)

CASE 267.

Query. To what account should be charged interest on unpaid paving taxes or assessments, such taxes or assessments being made by the municipality to cover the cost of paving between tracks? Such assessment may be paid in full at the time the assessment is made, or may be paid in 10 or more annual installments with the interest on the unpaid balance at a fixed rate.

Answer. Interest on unpaid paving assessments levied by a municipality shall be charged to income account No. 221, "Interest on unfunded debt."

CASE 268.

Query. This company has considerable expense in connection with fire drills at its various shops and carhouses, or on its ferryboats. To what accounts should such expenses be charged?

Answer. If the expenses incident to fire drills are of sufficient amount to warrant it, they shall be charged to operating expense account No. 24, "Buildings, fixtures, and grounds," if incurred at shops and carhouses; or to account No. 35, "Floating equipment," if on ferryboats. Although men are taken from other work to go through fire drills, in most cases this expense is small, and if the segregation of such expense would result in an undue refinement of accounting, there is no objection to including such expense in the accounts to which the men's wages ordinarily are charged.

CASE 269.

Query. To what accounts should be charged the cost of fighting fires?

Answer. The distribution of the expense of fighting fires shall be determined by the nature of the property protected. If the expense is incurred for protection of the roadway, account No. 19, "Miscellaneous way expenses," shall be charged; if to protect electric lines, poles, and fixtures, the charge shall be to account No. 23, "Miscellaneous electric line expenses"; if to protect buildings other than power plants and substations, the charge shall be to account No. 24, "Buildings, fixtures, and grounds"; if to protect power plant and substation buildings, the charge shall be to account No. 46, "Power plant buildings, fixtures, and grounds."

CASE 270.

Query. When rails are welded with an electric-arc welder, thus doing away with rail bonds, should any portion of the expense of welding be charged to account No. 22, "Distribution system," or should the entire expense, including both labor and material, be charged to account No. 507, "Rails, rail fastenings, and joints"?

Answer. The cost of welding rails with an electric-arc welder, thus doing away with existing rail bonds, shall be charged to Operating Expenses, the cost of material being charged to account No. 5, "Rail fastenings and joints," and the cost of labor to account No. 8, "Track and roadway labor."

If the welding is done in connection with new construction, the cost of material shall be charged to account No. 507, "Rails, rail fastenings, and joints," and the cost of labor to account No. 510, "Track and roadway labor."

CASE 271.

Query. To what account should be charged the cost of filling the cups in rails, caused by bad joints? This work is done with an electric-arc welding machine. When the cup is not at the end of the rail, to what account should be charged the cost of filling it?

Answer. The cost of material used in filling cups in rails shall be charged to operating expense account No. 4, "Rails," and the cost of labor in connection therewith to account No. 8, "Track and roadway labor," whether the cup is at the end of the rail or not.

CASE 272.

Query. To what account should be charged the cost of building up chipped or worn places or broken points in special work, this work being done with an electric-arc welding machine?

Answer. The cost of material used in building up chipped or worn places or broken points in special work shall be charged to operating expense account No. 6, "Special work," and the cost of labor in connection therewith to operating expense account No. 8, "Track and roadway labor."

CASE 273.

Query. Company A repairs its own cars and also those belonging to Company B. Company A charges Company B with the actual cost of material and labor in making the repairs. It is desired to charge also to Company B a proper proportion of the storeroom expenses of Company A. How should this be treated in the accounts?

Answer. The carrier making the repairs (Company A) shall credit operating expense account No. 95, "Store expenses," and the company whose cars are repaired (Company B) shall debit the same account for the proportion of storeroom expense billed by the former against the latter company. Such items shall not be treated through the accounts "Other operations—Dr." or "Cr."

CASE 274.

Query. What is meant by the term "other rail equipment" in operating expense account No. 98, "Rent of equipment"? Is it intended to cover equipment such as steam rollers and pile drivers?

Answer. The term "other rail equipment" as used in account No. 98 is intended to include regular rail equipment only. The rent of a steam roller, pile driver, or similar equipment used in maintenance work shall be charged directly to the work upon which such equipment is used.

CASE 275.

Query. This company has recently converted several ordinary cars into pay-as-you-enter cars. To what account should be charged the royalty we pay to the patentees?

Answer. A royalty paid on the patent in connection with the conversion of an ordinary passenger car into a pay-as-you-enter car shall be charged to road and equipment account No. 530, "Passenger and combination cars."

CASE 276.

Query. This company erects car-stop signs, which are sometimes hung on span wires or fastened on iron pipes especially erected for that purpose. To what account should this expense be charged?

Answer. The original cost of the car-stop signs and of the pipes for their support shall be charged to road and equipment account No. 516, "Crossings, fences, and signs." The cost of repairing the signs and pipes shall be charged to operating expense account No. 16, "Crossings, fences, and signs."

CASE 277.

Query. This company has a rail grinder, which grinds down the uneven portions of the rail; it is propelled by electric power and runs upon the tracks. We also have a bonding machine, run by electric power, which is used to solder the bonds at the rail joints. Should the rail grinder and the bonding machine be considered as tools or as equipment?

Answer. If the rail grinder and bonding machine are permanently mounted on wheels or cars and move over the carrier's tracks, they shall be considered equipment; if not mounted, they shall be considered as tools.

CASE 278.

Query. This company sells commutation coupon-ticket books which expire upon the last day of the month in which sold. Is it permissible to credit to "Passenger revenue" the revenue derived from the sale of these ticket books, or should a suspense account be opened and the credit made to passenger revenue as the coupons are honored?

Answer. It is permissible to credit to account No. 101, "Passenger revenue," as the sales are made, the proceeds from sales of monthly commutation ticket books which expire upon the last day of the month in which sold.

CASE 279.

Query. What account should be charged with the cost of paving done in connection with the renewal of rails, fastenings, and joints?

Answer. The cost of taking up and replacing paving in connection with the renewal of rails, fastenings, and joints shall be charged to operating expense account No. 10, "Paving."

CASE 280.

Query. To what account should be charged the premium paid on a judicial bond necessary in connection with the appeal of an injuries case?

Answer. To operating expense account No. 92, "Injuries and damages."

CASE 281.

Query. To what account should be charged the cost of snow scrapers?

Answer. If the snow scrapers are mounted, forming units of service equipment, the original cost shall be charged to road and equipment account No. 532, "Service equipment." If, however, the snow scrapers are attachable to revenue cars, their cost shall be charged to road and equipment account No. 530,

"Passenger and combination cars"; No. 531, "Freight, express, and mail cars"; or No. 534, "Locomotives," as may be appropriate. If attachable to service cars the cost of the scrapers shall be charged to road and equipment account No. 532, "Service equipment."

CASE 282.

Query. In purchasing a piece of right of way a railway company agreed to put in a road crossing at a certain point. Later, however, the company paid the former owner of the right of way a certain amount of cash in order to relieve the company from putting in the crossing. Should this latter amount be charged to account No. 502, "Right of way," or to No. 516, "Crossings, fences, and signs"?

Answer. The amount paid for the purpose of relieving the company of the necessity of putting in a road crossing shall be charged to account No. 502, "Right of way," for the reason that the price originally paid for the right of way was undoubtedly reduced because the railroad company had agreed to install a crossing.

CASE 283.

Query. To what accounts should be charged amounts paid as rent of power plant units and transformers to be used in emergency cases?

Answer. To account No. 56, "Miscellaneous power plant supplies and expenses." (See Case 366.)

CASE 284.

Query. A company purchased a portable substation mounted on wheels and equipped to be moved from point to point and to be connected with the high-voltage line in order to deliver current to the distribution system. To what accounts should be charged the cost of this substation and the cost of its maintenance?

Answer. The first cost of the substation shall be charged to account No. 543, "Substation equipment," and the cost of maintenance to account No. 48, "Substation equipment."

CASE 285.

Query. An interurban line carries milk on equipment used solely in freight service and the rates are included in its freight tariff. The milk is never carried on passenger cars. To what account should be credited revenue derived from the above source?

Answer. Revenue received from the transportation of milk, whether on passenger or freight trains, shall be credited to account No. 106, "Milk revenue."

CASE 286.

Query. To what account should be credited the value of unredeemed passenger tickets when written off annually?

Answer. To account No. 101, "Passenger revenue."

CASE 287.

Query. To what account should be charged—

- (1) The cost of supplies for cleaning and washing cars?
- (2) The cost of rebonding rails?

(3) The cost of taking off storm sashes and putting guard rails on cars?

(4) The cost of painting and varnishing cars?

Answer. (1) To account No. 67, "Miscellaneous car-service expenses."

(2) To account No. 22, "Distribution system."

(3) (4) To account No. 30, "Passenger and combination cars"; account No. 31, "Freight, express, and mail cars"; or account No. 32, "Service equipment," as may be appropriate.

CASE 288.

Query. To what account should be charged the original cost of an automobile used by the chief engineer of a railway company who has charge of the power house and line department of the railway and of allied lighting companies?

Answer. The cost of the automobile shall be charged by the company which owns it to road and equipment account No. 538, "Miscellaneous equipment." If the automobile is owned by several companies the cost shall be apportioned to their respective property accounts upon an equitable basis.

CASE 289.

Query. A company has a power plant where it is necessary to load cinders by hand. The cinders are loaded on cars by the track department and hauled to points on the line where they are unloaded and used for grading and widening the roadbed. Should the entire expense be charged to maintenance of way and structures, or should some portion be charged to the operation of power plant?

Answer. The cost of removing cinders shall be charged to the operation of power plant. The cost of hauling and unloading the cinders used for maintenance purposes shall be charged to the appropriate accounts according to the use made thereof.

CASE 290.

Query. To what account should be charged the cost of superintending the maintenance of floating equipment?

Answer. To account No. 29, "Superintendence of equipment."

CASE 291.

Query. A company lays tiling between rails lengthwise with the track, for the purpose of draining the roadbed. To what accounts should be charged the cost of the tiling and the labor of laying same?

Answer. The original cost of tiling and labor laying same shall be included in road and equipment account No. 504, "Grading." If the charges are for maintenance, the amount paid for labor shall be charged to account No. 8, "Track and roadway labor," and the cost of material to account No. 9, "Miscellaneous track and roadway expenses."

CASE 292.

Query. To what account should be charged wages of track or section foremen engaged in maintenance work?

Answer. To account No. 8, "Track and roadway labor."

CASE 293.

Query. Please define the word "appliances" as used in account No. 32, "Service equipment."

Answer. The term "appliances" is intended to include all devices, except the electric motive equipment, which are attached to the car and not used separately therefrom. Devices shall be considered as "appliances" if they form a necessary part of the mechanism permanently affixed to the car.

CASE 294.

Query. Should the cost of tools forming a necessary part of the mechanism permanently attached to a service car be charged to account No. 532, "Service equipment," or to account No. 9, "Miscellaneous track and roadway expenses"?

Answer. The original cost of tools or appliances (except electric motive equipment) permanently attached to a service car or forming a necessary part of the mechanism permanently attached to the car shall be charged to account No. 532, "Service equipment." The cost of maintenance shall be charged to account No. 82, "Service equipment."

CASE 295.

Query. To what account should be charged the salaries and expenses of clerks employed to investigate and keep records of loss and damage and overcharge claims?

Answer. The pay and expenses of clerks other than agency employees, when engaged exclusively in recording, investigating, and adjusting loss, damage, and overcharge claims, shall be charged to account No. 84, "Salaries and expenses of general office clerks."

CASE 296.

Query. This company has a car which cost \$5,000 and upon which depreciation amounting to \$1,500 has accrued. Because of an accident the car is unfit for service on the main line, but it has been repaired and is to be used on a small branch line. Is it necessary to make any adjustment in the road and equipment accounts; and may the reserve for accrued depreciation be charged with the repairs?

Answer. No adjustment shall be made in the road and equipment accounts until the car is permanently retired from service. In the present case, the cost of repairs shall be included in the appropriate repair accounts. If, however, additions or betterments (as defined in section 2, page 91, of the Uniform System of Accounts) are made during the process of reconstruction, the cost of the additions or betterments shall be included in the appropriate road and equipment accounts.

No charge shall be made against the reserve for accrued depreciation for repairs of equipment unless the equipment is converted from one class to another, in which case charge shall be made to balance-sheet account No. 448, "Accrued depreciation—Road and equipment," in accordance with instructions contained in section 6, page 92, of the Uniform System of Accounts for Electric Railways.

CASE 297.

Query. A company owning property which extends some distance out into a river has driven piles along the boundary line as a retaining wall. Contractors doing excavating near by are paying for the privilege of dumping dirt upon this property. To what account should be credited such collections?

Answer. Assuming that the value of the land is not diminished, the amounts received from others for the privilege of dumping dirt upon it shall be credited to income account No. 212, "Miscellaneous income."

CASE 298.

Query. A company is required by its mortgage to keep 300 of its bonds, or the proceeds thereof, in a fund which can be used only for the payment of the cost of new property acquired, or for additions, extensions, and permanent improvements. Under what balance-sheet account should be included the par value of the bonds or the proceeds thereof?

Answer. The par value of the bonds held in the company treasury, unsold, shall be included in balance-sheet account No. 421, "Securities issued or assumed—Unpledged." When the bonds are sold the proceeds, until used, should be included in balance-sheet account No. 408, "Special deposits."

CASE 299.

Query. This company has an agreement with the city whereby it has a right to locate, maintain, and use tracks across a public bridge. For this privilege we pay the city a fixed amount annually. To what account should this item be charged?

To what account should be charged the cost of maintaining the tracks, poles, wires, etc., and the paving and planking on the bridge?

Answer. The amount paid annually to the city for the right to locate, maintain, and use tracks across the bridge shall be charged to income account No. 215, "Taxes assignable to railway operations."

The cost of maintaining and repairing the tracks, poles, wires, paving, and planking shall be charged to the same primary maintenance accounts as though the company owned the bridge.

CASE 300.

Query. (1) A company operating a light plant as an auxiliary operation has, in connection with the light business, considerable expense which has no bearing whatever on the railway expenses. Is it permissible to charge directly to account No. 214, "Auxiliary operations—Expenses," the expenses which are incurred solely in connection with the light business?

(2) In one of the cities through which this company operates it furnishes power from a line used to operate the railroad. In addition, there is a further investment for poles and fixtures which are not used in the operation of the railway, but are used exclusively in the light business. Is it permissible to include the cost of the poles and fixtures used exclusively in the light business in balance-sheet account No. 404, "Miscellaneous physical property"?

Answer. (1) Expenses incurred solely in connection with the auxiliary operation, no proportion of which expenses is properly includible as a part of the cost of operating the railway, shall not be charged to the railway expense accounts. All expenses, however, in connection with the production or purchase of power used for both railway and light purposes shall be included in the appropriate primary accounts of the railway general account Power. The proportion of such power expenses assignable to the light department shall then be cleared from the railway expenses by crediting railway operating expense account No. 62, "Other operations—Cr.," and charging account No. 214, "Auxiliary operations—Expenses." If the expenses referred to are not those which enter into the cost of power production, they need not be included in the railway operating expenses.

(2) The cost of poles and fixtures used exclusively in the light business shall be included in the appropriate primary accounts of the road and equipment classification.

It has been found impracticable to make a complete and equitable separation of the investment in property used in the joint production of power as between the railway and light business. Therefore the cost of all equipment and structures, including property used exclusively in the light business, shall be charged to the appropriate road and equipment accounts.

There is no objection, however, to keeping the investment in poles and fixtures used exclusively in the light business separate from the investment in railway property, provided all charges thereto are classified in accordance with the primary accounts of the road and equipment classification. In compiling annual reports to this Commission the investment in the light property shall be merged with that for investment in the railroad property and the total reported. (*See Cases 28, 188, 198, 362.*)

CASE 301.

Query. A company in acquiring a right of way was compelled to purchase an orchard and now owns orchard lands on both sides of its right of way. The company has continued to cultivate the orchard. To what accounts should be charged the cost of the orchard and the cost of its cultivation?

Answer. The cost of the portion of the orchard acquired for right-of-way purposes shall be charged to account No. 502, "Right of way," and the remainder of the cost to account No. 404, "Miscellaneous physical property." The expenses incident to the care and cultivation of the orchard shall be charged to account No. 205, "Net income from miscellaneous physical property," or to account No. 219, "Net loss on miscellaneous physical property," as may be appropriate. (*See note, account No. 404.*)

CASE 302.

Query. Should account No. 95, "Store expenses," include the salaries of the purchasing agent and his staff as well as the cost of maintaining storeroom buildings?

Answer. The salary of the purchasing agent shall be charged to account No. 83, "Salaries and expenses of general officers." The salaries of the staff of the purchasing agent, if employed in the general office, shall be charged to account No. 84, "Salaries and expenses of general office clerks." The salaries of employees engaged in the storeroom shall be charged to account No. 95, "Store expenses." The cost of maintaining storeroom buildings shall be charged to operating expense account No. 24, "Buildings, fixtures, and grounds."

CASE 303.

Query. To what account should be charged depreciation on equipment the cost of which is included in road and equipment account No. 538, "Miscellaneous equipment"?

Answer. If depreciation has accrued on equipment the cost of which is included in account No. 538, "Miscellaneous equipment," it shall be included in account No. 40, "Depreciation of equipment," additional subaccounts being opened thereunder to cover the classes of equipment upon which depreciation has accrued.

CASE 304.

Query. Is it proper to charge to operating expense account No. 70, "Carhouse employees," the salaries and expenses of employees engaged in inspecting freight equipment out on the line, as well as of employees in the carhouses?

To what account should be charged the wages of inspectors superintending the movement of cars?

Answer. Account No. 70, "Carhouse employees," is intended to include the wages and expenses of inspectors of equipment, whether in the carhouses or on the road.

The wages of inspectors employed in superintending or facilitating the movement of cars and assisting in the superintendence of transportation generally shall be charged to account No. 63, "Superintendence of transportation." (See Case 386.)

CASE 305.

Query. To what account should be charged the salary and expenses of a car-service agent and his office clerks?

To what account should be charged the cost of icing refrigerator cars?

Answer. The salaries and expenses of a car-service agent and his clerks shall be charged to account No. 63, "Superintendence of transportation."

The cost of icing refrigerator cars shall be charged to account No. 67, "Miscellaneous car-service expenses."

CASE 306.

Query. To what accounts should conductors' and motormen's wages be charged when they are engaged in work other than revenue service?

To what account should their time be charged when deadheading cars from one carhouse to another for repairs?

Answer. If the conductors and motormen are engaged in construction or maintenance work, their wages shall be charged to the appropriate road and equipment or operating expense primary accounts, according to the purpose for which the equipment is being used.

The wages of conductors and motormen employed in deadheading cars from one carhouse to another for repairs shall be charged to the primary account to which the repairs of such cars are chargeable.

CASE 307.

Query. Prior to July 1, 1914, whenever an unusually heavy expenditure was incurred which was chargeable to a particular primary operating expense account the total amount of the item was charged to a suspense account and written off, in equitable monthly proportions, to the proper primary account, thus producing not only an even monthly showing in the general accounts but in the primary accounts as well. We are aware that the equalization accounts are provided for the purpose of equalizing the fluctuations in operating expenses, by general account totals, but desire to have the equalization results reflected in the primary accounts and desire permission to continue the use of the operating expense suspense account as indicated above. Will this method be permissible, providing the expenses are adjusted annually so that the actual expenses for the year will be included in operating expenses?

Answer. There is no objection to charging the operating expense primary accounts each month with an equitable monthly proportion of the total amount of authorized or approximated expenses for the year, regardless of the month in which the actual work is done. The suspense accounts, however, shall be adjusted at the end of the year, so that only the actual amount of operating expenses shall be included in the primary accounts.

CASE 308.

Query. To what account should a carrier credit the amount of interest which has been charged to construction? This company has no funded debt.

Are we permitted to charge to construction the interest on the company's working funds used for construction purposes?

Answer. Interest charged to construction shall be included in account No. 547, "Interest during construction," and corresponding credit shall be made to the account which was charged as such interest accrued. If no interest actually accrued or was paid, account No. 547 may include a reasonable charge for interest during the construction period on the carrier's own funds used temporarily, the corresponding credit being made to account No. 208, "Income from unfunded securities and accounts."

CASE 309.

Query. Is account No. 40, "Depreciation of equipment," intended to include any equipment other than that commonly termed "rolling stock"? Should it include equipment the cost of which is charged to account No. 538, "Miscellaneous equipment"?

Answer. Account No. 40, "Depreciation of equipment," is intended to include charges on equipment covered by road and equipment accounts Nos. 530 to 535, inclusive. Account No. 40 does not require charges for depreciation accrued on equipment included in account No. 538, "Miscellaneous equipment." Carriers desiring to charge depreciation accrued on shop equipment, furniture, or miscellaneous equipment covered by accounts Nos. 536 to 538, inclusive, may open additional subaccounts therefor under account No. 40.

CASE 310.

Query. A company has acquired by long-term lease an electric railway property. In connection with the text of account No. 40, "Depreciation of equipment," there is a doubt as to the valuation on which depreciation should be figured. Should the lessee company's rate of depreciation be based on the appraised or estimated value of the equipment when received, or on such value as of July 1, 1914, or on the original cost to the lessor company?

Is a lessee company required to provide a depreciation reserve covering the entire estimated life of the equipment leased from (1) the date of purchase or first use by the lessor, or from (2) the date on which the lessee acquired the equipment, or from (3) July 1, 1914?

Answer. The basis on which depreciation on equipment shall be charged is the original cost (estimated if not known), record value, or purchase price. If the equipment was appraised on July 1, 1914, or when received, the appraised value shall be used, provided the ledger value has been adjusted to such appraised value. In section 14, page 19, of the Uniform System of Accounts, the first paragraph provides that "depreciation charges with respect to property or equipment shall cease when the difference between the ledger value (estimated if not known) and the estimated scrap value shall have been credited to the depreciation reserve account."

The date from which a lessee company is required to provide a depreciation reserve on leased equipment will depend upon the terms of the lease. If the lessee company has agreed to be responsible for the complete maintenance of the equipment it will be necessary for such company to account for depreciation from the date the equipment is received by it. If such is the agreement and the lessee company has not accounted for depreciation prior to July 1, 1914, then the depreciation which is assignable to the period during which the equipment was held by the lessee prior to July 1, 1914, may be charged to Profit and Loss either immediately or when the equipment is retired or returned.

CASE 311.

Query. A company is operating cars which it purchased about 10 years ago. Prior to July 1, 1914, no depreciation accrued on these cars. Are we required to account for depreciation during the remaining life of the car sufficient to provide for its retirement? In other words, must our charge to the depreciation account for the remaining years of the life of the car be sufficient to cover the entire depreciation which accrued from the date of purchase, which was prior to July 1, 1914?

Answer. It is intended that the operating expenses for each month, or each year, shall include sufficient reserve to provide for the current loss from depreciation accruing during that period. Therefore, beginning with July, 1914, each month's operating expenses shall be charged, under account No. 40, "Depreciation of equipment," with a monthly proportion of the estimated depreciation accruing during the year. It is not intended that the operating expenses of the period during which equipment is used subsequent to July 1, 1914, shall bear the entire depreciation on equipment which was in service prior to that date.

CASE 312.

Query. Account No. 209, "Income from sinking fund and other reserves," provides that "this account shall include the income accrued on cash, securities (not issued or assumed by the accounting company), and other assets held in sinking and other reserve funds." To what account should be credited the income on securities issued or assumed by the accounting company?

Answer. Under the rules contained in accounts No. 220, "Interest on funded debt," and No. 310, "Dividend appropriations of surplus," it is provided that a company shall not include therein interest or dividends upon funded debt or stocks issued or assumed by the company and owned by it. Interest on funded debt and dividends on stocks may accrue or be paid only on securities not held by or for the accounting company.

If contractual requirements necessitate increasing the sinking fund annually by the amount of income which would have accrued on the company's own securities if they were not owned by the company, such amount may be charged to account No. 309, "Appropriations of surplus to sinking fund and other reserves," and credited to the appropriate reserve account. The equivalent of this sum may then be paid in cash into the reserve fund, in which case "Cash" shall be credited and account No. 402, representing the sinking fund assets, shall be correspondingly charged.

CASE 313.

Query. This company purchased, according to the provision in one of its mortgages, \$8,000 (par value) of its bonds, for cash, at a premium of 1 per cent, amounting to \$80, plus accrued interest amounting to \$185.56.

(1) To what account should be charged the premium of \$80?

(2) To what account should be charged the interest amounting to \$185.56?

(3) Should any adjustment be made for the face value, \$200, of the attached coupons next falling due, interest amounting to \$185.56 having accrued?

Answer. (1) The premium of \$80 shall be charged to account No. 317, "Miscellaneous debits," in accordance with the text of that account.

(2) The accrued interest of \$185.56 shall be charged to the account to which credit has been made for accrued interest.

(3) No adjustment as to the coupons is necessary, for the reason that it is not permissible for carriers to enter accruals of interest on bonds issued or assumed by them and reacquired.

CASE 314.

Query. Is it correct to charge to account No. 98, "Rent of equipment," demurrage paid on cars billed to our line on interline business?

If demurrage is paid on cars containing company coal, should such demurrage payments be included in the cost of the coal?

Answer. Demurrage paid on cars in interline revenue business shall be charged to account No. 98, "Rent of equipment."

Demurrage paid on cars containing company coal shall be charged to the coal supply account, thus entering into the cost of coal included in operating expenses.

CASE 315.

Query. Note B of account No. 40, "Depreciation of equipment," provides that depreciation assignable to the period prior to July 1, 1914, shall be charged to Profit and Loss. Is it the intention that the proportion of the actual loss from depreciation assignable to the period prior to July 1, 1914, shall be charged to Profit and Loss now, or shall it be charged thereto in the future, when the equipment is retired?

Answer. The charge to Profit and Loss for depreciation prior to July 1, 1914, may be made before or at the time of retirement of equipment. If the depreciation assignable to the period prior to July 1, 1914, is charged off before the equipment is retired, the credit shall be made to account No. 443, "Accrued depreciation—Road and equipment." If the depreciation assignable to the period prior to July 1, 1914, is not charged off until the equipment is retired, it shall be accounted for in accordance with the instructions contained in the last paragraph of section 14, page 19, of the Uniform System of Accounts.

CASE 316.

Query. Is it permissible to make a rental charge against a light department conducted by an electric railway for the use of poles and lines used jointly for both railway and light purposes?

Answer. No. It is proper, however, to charge the light department with an equitable proportion of the cost of maintaining poles and lines used jointly by the railway and light departments. Such joint expenses shall be first charged to the railway operating expense accounts, and the proportion assignable to the light department shall be cleared from the railway operating expenses by charging the light department and crediting account No. 27 or No. 62, "Other operations—Cr.," as may be appropriate.

CASE 317.

Query. This company has purchased an auto truck, which will be used for carrying newspapers and, by electricians, for repairing overhead wires. The company will receive \$10 a day for transporting the newspapers. To what account should be charged the cost of the truck, and to what account should be credited the revenue received for transporting the newspapers?

Answer. The cost of the auto truck shall be charged to road and equipment account No. 533, "Miscellaneous equipment." The amount received for transporting newspapers shall be credited to operating revenue account No. 100, "Miscellaneous transportation revenue."

CASE 318.

Query. What account should be charged with expenses incurred because of a strike of motormen and conductors?

Answer. There is no special account in which to include strike expenses. The wages of employees taking the place of strikers shall be charged to the same accounts to which would have been charged the wages of the employees on strike. The same disposition shall be made of overtime of such employees.

Any unusual transportation expenses (not wages or overtime), such as police protection, shall be charged to account No. 78, "Other transportation expenses."

Any general expenses incurred directly in connection with the strike and not provided for in the primary accounts preceding general account General and Miscellaneous shall be charged to account No. 89, "Miscellaneous general expenses."

CASE 319.

Query. To what account should be charged amounts paid to individuals for the privilege of cutting down trees at dangerous curves? These trees obstructed the view of the motormen.

Answer. Payments for the privilege of cutting down the trees shall be charged to account No. 502, "Right of way." The cost of labor trimming trees or cutting bushes standing close to right of way shall be charged to operating expense account No. 8, "Track and roadway labor." The cost of tools used in connection therewith shall be charged to account No. 9, "Miscellaneous track and roadway expenses."

CASE 320.

Query. A railway company is compelled by municipal ordinance to lower the track along a public street in order to make it agree with the official grade. To what account should this expenditure be charged?

Answer. The cost of lowering a track along a public street, such change being required by the municipality, shall be charged to road and equipment account No. 504, "Grading."

CASE 321.

Query. It has been the practice of this company since its organization to carry as a liability the total amount of unredeemed tickets, the balance being carried forward from year to year, no adjustment being made to reduce the amount outstanding. The balance of unredeemed tickets to-day includes an amount of approximately \$34,000, which we believe will never be presented for redemption. This amount has been arrived at after making allowance for the amount of tickets sold during the last three years and unredeemed. Will it be permissible to adjust this unredeemed ticket account by crediting Profit and Loss with \$34,000, which represents accumulations of unredeemed ticket balances during the period from 1862 to 1910? And may we hereafter make a credit to Profit and Loss representing a yearly adjustment of this unredeemed ticket balance?

Answer. For the reason that the item of \$34,000 represents accruals over a period of years it is permissible to credit this sum to profit and loss account No. 806, "Miscellaneous credits." Future annual adjustments, however, shall be credited to operating revenue account No. 101, "Passenger revenue."

CASE 322.

Query. This company, in 1907, sold \$300,000 (par value) of bonds at a discount of \$16,000. These bonds will mature in 1916, nine years after the date of sale. Is it correct to charge income account No. 222, "Amortization of discount

on funded debt," annually with one-ninth of the total discount of \$16,000, beginning with the fiscal year ending June 30, 1915? As the bonds mature on June 30, 1916, there will have been amortized on that date but two-ninths of the total discount of \$16,000, or \$3,555.55. How shall the remainder of the discount, \$12,444.45, be extinguished?

Answer. As the bonds were sold prior to the effective date of the Classification of Expenditures for Road and Equipment, First Issue, effective January 1, 1909, it will not be necessary at this time to adjust the road and equipment accounts (assuming that all the discount was charged to road and equipment accounts) by charging such discount to income or profit and loss accounts, unless the carrier desires to make such adjustment. If it is desired to exclude the entire amount of discount from the property investment account, the income accounts for the fiscal years ending June 30, 1915 and 1916, may be charged with their respective proportions (\$1,777.78), and the remainder (\$12,444.44) may be charged to profit and loss account No. 313, "Debt discount extinguished through surplus."

CASE 323.

Query. To what account should be charged an amount refunded to a shipper in connection with an overcharge due to an error by one of our agents in misrouting?

Answer. The amount of the overcharge shall be charged to account No. 197, "Freight revenue."

CASE 324.

Query. A company acquired, through a receiver's sale, another railway property and assumed all of the outstanding obligations, which were promptly paid. Subsequently there was presented a claim for an attorney's fees for services rendered to the receiver. To what account should this fee be charged?

Answer. If the attorney's fee is an expense which your company properly is bound to assume as purchaser, the amount of the fee shall be charged to road and equipment account No. 527, "Cost of road purchased."

CASE 325.

Query. To what account should be charged the cost of driving a well to furnish water to condensers?

Answer. To account No. 539, "Power plant buildings," in the classification for road and equipment.

CASE 326.

Query. To what account should be charged the cost of keys for switch locks?

Answer. To operating expense account No. 67, "Miscellaneous car-service expenses."

CASE 327.

Query. To what account should an electric railway charge payments made to another company as a proportion of receipts from passengers carried over a viaduct owned by the other company, the tracks being owned and maintained by the railway company?

Answer. To operating expense account No. 97, "Rent of tracks and facilities." (See Case 20.)

CASE 328.

Query. An electric railway company carries some cans of milk on a branch line over which there is no express service, turning them over to a local express company under contract for handling on the main line. To what account should be credited the receipts for the transportation over the branch line, the payments for the transportation over the main line being made by the express company and credited to "Express revenue"?

Answer. Assuming that the transportation of milk on the branch line is conducted by an arrangement with the express company, credit shall be made to operating revenue account No. 105, "Express revenue."

CASE 329.

Query. To what account should be charged the cost of lightning arresters?

Answer. The cost of lightning arresters shall be charged to operating expense account No. 22, "Distribution system"; No. 33, "Electric equipment of cars"; No. 34, "Locomotives"; No. 47, "Power plant equipment"; No. 48, "Substation equipment"; or No. 49, "Transmission system," according to the location or purpose of the installation.

CASE 330.

Query. To what account should an electric railway company credit amounts received from the subleasing of a portion of a building leased by it for use in operation?

Answer. The amounts received shall be credited to operating revenue account No. 117, "Rent of buildings and other property."

CASE 331.

Query. To what account should be credited amounts received from an express company as extra compensation for the services of trainmen in handling express matter?

Answer. To the operating expense account to which the trainmen's pay is charged.

CASE 332.

Query. To what accounts should be credited amounts received from other lines for their proportions of wages and expenses at joint stations.

Answer. To the accounts to which the wages and expenses are first charged.

CASE 333.

Query. How should a lessee company account for the interest paid on the bonds of a lessor company in accordance with the terms of the rental agreement between them?

Answer. The amounts so paid shall be included in the lessee's income account No. 216, "Rent for leased roads," and correspondingly included in the lessor's account No. 208, "Income from lease of road."

CASE 334.

Query. To what account should be charged the cost of tools and brushes purchased for the use of carpenters and painters employed generally in the maintenance of way and structures on an interurban railway?

Answer. The cost shall be apportioned between account No. 19, "Miscellaneous way expenses," and account No. 24, "Buildings, fixtures, and grounds."

CASE 335.

Query. Sanitary drinking-cup vending machines are installed under a perpetual lease agreement by the terms of which the machines are to be returned to the manufacturer whenever the use of the cups is discontinued. The cups are placed in the vending machines and distributed in stations and cars by means of penny slot.

(1) To what account should be charged the machines and cups when purchased?

(2) To what account should be credited the revenue received from the cup machines?

Answer. (1) The cost of the vending machines shall be charged to account No. 537, "Furniture," or to account No. 530, "Passenger and combination cars," according to whether they are installed in stations or in cars. The cost of the cups shall be charged to account No. 67, "Miscellaneous car-service expenses," or to account No. 69, "Station expenses," according to where the cups are installed.

(2) The revenue from the sale of the drinking cups shall be credited to account No. 110, "Station and car privileges."

CASE 336.

Query. Curbing is placed between a reservation in the center of the street for the use of cars and that portion of the street used by teams. The curbs are for the purpose of keeping street traffic from the tracks. To what account should be charged the curbing along the side of the neutral strip not owned by the company?

Answer. The original cost of curbing between the space reserved for tracks in a public way and that used by other vehicles shall be charged to road and equipment account No. 516, "Crossings, fences, and signs," and the cost of maintenance shall be charged to operating expense account No. 16, "Crossings, fences, and signs."

CASE 337.

Query. A railway company has installed interior telephones connecting its general offices, all of which are located in a leased building. To what account should be charged the cost of these interior telephones?

Answer. Interior telephones having the character of movable apparatus shall be charged to account No. 537, "Furniture." When interior systems are leased for use in general offices the rent shall be charged to account No. 89, "Miscellaneous general expenses."

CASE 338.

Query. A company operating an interurban electric railway system, and also an electric power and light system serving communities on or adjacent to its interurban lines, agreed to furnish electric current for lighting a certain church, a school, and residences as compensation for use of private property for right-of-way purposes for one of its interurban lines. To what account in the Uniform System of Accounts for Electric Railways should be charged the cost of the electric current?

Answer. The cost of furnishing electric current in exchange for the use of private property for right-of-way purposes shall be charged to income account No. 217, "Miscellaneous rents." (See Cases 20 and 33.)

CASE 339.

Query. An interurban railway company, not engaged in a general freight business, moves steam railroad freight cars from one point to another, on two of its lines. The steam railroad freight cars are moved by being coupled to a work or service car. To what accounts should be credited the revenue derived from performing this service and to what accounts should be charged the cost thereof?

Answer. If the moving of the steam railroad freight cars is clearly but a switching service and is charged for at a rate per car, the credit shall be to account No. 108, "Switching revenue." Expenses in connection with the rendering of this service shall be charged to the appropriate operating expense accounts.

CASE 340.

Query. In what account in the general balance sheet should be included advances to a subsidiary corporation formed for the purpose of holding title to property not used for railroad purposes? The advances are for the purpose of enabling the subsidiary company to acquire real estate.

Answer. To account No. 405, "Investments in affiliated companies."

CASE 341.

Query. To what account should be charged the cost of painting switch targets mounted on and attached to switch stands? Also, to what account should be charged the cost of new switch targets purchased for switch stands on new installations?

Answer. The cost of labor painting switch targets mounted on and attached to switch stands shall be charged to operating expense account No. 8, "Track and roadway labor," and the material so used shall be charged to account No. 6, "Special work." The cost of original installations of switch targets mounted on and attached to switch stands shall be charged to road and equipment account No. 508, "Special work."

CASE 342.

Query. To what account should be charged amounts paid telegraph companies for fire alarm service?

Answer. To operating expense account No. 24, "Buildings, fixtures, and grounds," or No. 46, "Power plant buildings, fixtures, and grounds," as may be appropriate.

CASE 343.

Query. To what account should be charged the cost of maps and drawings prepared by draftsmen in the maintenance of way and structures department and used in connection with personal injury claims and suits growing out of operation of passenger cars?

Answer. Wages and materials for such work shall be charged to operating expense account No. 92, "Injuries and damages."

CASE 344.

Query. (1) Should the wages of trainmen operating work trains engaged in maintenance be charged to account No. 66, "Miscellaneous car-service employees," or charged directly to the maintenance accounts affected?

(2) Should the cost of power used by work trains also be charged to maintenance accounts?

Answer. (1) The wages of trainmen operating work trains engaged in maintenance shall be charged to the maintenance accounts benefited.

(2) The cost of power used by work trains may be included in the appropriate operating expense accounts as a part of the cost of maintenance. The corresponding credit for such charges to maintenance accounts shall be made to account No. 61, "Power transferred—Credit." (*See text of account No. 61.*)

CASE 345.

Query. To what account should be charged the cost of uniforms given to trainmen who attain a perfect record, according to rules laid down by the company, in the prevention of accidents?

Answer. To account No. 89, "Miscellaneous general expenses."

CASE 346.

Query. To what account should be charged an amount paid annually to a water company for installation of a connection with a fire-protection system in the company's car barns? The fact of having this connection reduces the insurance premium.

Answer. To account No. 24, "Buildings, fixtures, and grounds."

CASE 347.

Query. An electric railway at present in operation does its own construction work. Is it permissible to charge a percentage on all material and labor used on such construction to cover contractors' profits?

Answer. It is not permissible to charge the construction accounts with a percentage or amount representing contractors' profits, if by the term "contractors' profits" is meant the equivalent of a clear profit over and above the actual cost of construction. The road and equipment classification requires that all charges to property accounts "shall be based upon the actual cost of the property," and, therefore, an arbitrary charge to construction, representing contractors' profits on work being done by the company itself, is clearly contrary to the Commission's accounting rules.

CASE 348.

Query. To what account should be charged an attorney's fee in connection with a suit to annul an electric-light franchise?

Answer. To operating expense account No. 86, "Law expenses," unless the lighting business is accounted for as an auxiliary operation, in which case the expense shall be charged to income account No. 214, "Auxiliary operations—Expenses." (*See Case 362.*)

CASE 349.

Query. A company was required under the terms of its franchise to do extensive grading in connection with the initial construction of tracks. No distinction was made as between the amount of grading which would have been

necessary to construct an electric road and the amount of grading done in excess thereof in order to comply with the city's requirements. Will it be proper to charge the entire cost of such grading to road and equipment account No. 504, "Grading"?

Answer. The entire cost of grading a street in connection with the initial construction of the track shall be included in road and equipment account No. 504, "Grading." (*See Case 162.*)

CASE 350.

Query. To what account should be charged the cost of installing catch basins at the side of a city street for the purpose of carrying off surface water?

Answer. To road and equipment account No. 502, "Right of way." (*See Cases 48 and 361.*)

CASE 351.

Query. A company owning certain ocean-front lots, the cost of which is included in road and equipment account No. 508, has found it necessary to construct a sea wall to prevent the land from being washed away. To what account should the cost of the wall be charged?

Answer. To account No. 508, "Other land used in electric railway operations."

CASE 352.

Query. To what account should be charged an assessment against a street railway company for its share of the cost of elimination of a grade crossing, resulting from the elevation of a steam road crossing over that of the electric railway?

Answer. To road and equipment account No. 516, "Crossings, fences, and signs."

CASE 353.

Query. To what account should be charged an electric railway's proportion of the cost of building a city street over the electric railway's right of way?

Answer. To road and equipment account No. 516, "Crossings, fences, and signs."

CASE 354.

Query. Occasionally a company sells material from stores and a small percentage is added to cover the expense of handling, etc. To what account should the added percentage be credited?

Answer. As the added percentage represents principally cost of handling, it shall be credited to operating expense account No. 95, "Store expenses." (*See Case 6.*)

CASE 355.

Query. Under the terms of a mortgage a company is required to keep the proceeds of certain bonds in a fund to be used only in payment for newly acquired property. Under what balance-sheet account should the amount of this fund be entered?

Answer. If such funds are held by trustees or have been specially deposited, the amount thereof shall be included in balance-sheet account No. 408, "Special deposits."

CASE 356.

Query. A number of years ago a company sold bonds at par. These bonds are now due and refunding mortgage bonds, due 25 years hence, are being

issued at 90. Is it permissible to amortize the 10 per cent discount on the refunding mortgage bonds throughout the 25 years?

Answer. The 10 per cent discount on the refunding mortgage bonds shall be amortized over the life of such bonds by uniform monthly charges to income account No. 222, "Amortization of discount on funded debt."

CASE 357.

Query. In what balance-sheet account should be included interest paid in advance on notes payable?

Answer. In account No. 420, "Other unadjusted debits."

CASE 358.

Query. (1) To what account should be charged the cost of labor for changing advertising cards in cars?

(2) To what account should be credited the revenue received for the privilege of placing these cards in cars?

Answer. (1) To operating expense account No. 78, "Other transportation expenses," unless the employees performing such work are also engaged in other duties, and the amount involved in connection with changing or caring for the cards is small and not readily ascertainable, in which case there is no objection to including such expense in the account to which such employees' wages are ordinarily charged.

(2) To operating revenue account No. 110, "Station and car privileges."

CASE 359.

Query. (1) To what account should be charged the cost of labor removing ballast, ties, rails, rail fastenings and joints, and special work in connection with the renewal of such material?

(2) To what account should be charged the cost of labor removing foundations for elevated structures, bridges, trestles, and culverts, general office buildings, shops, and carhouses in connection with renewals?

Answer. (1) To operating expense account No. 8, "Track and roadway labor."

(2) To the operating expense accounts to which are chargeable the cost of repairs of the structures. (See Case 266.)

CASE 360.

Query. To what account should be charged commissions allowed trustees, acting under a sinking-fund provision of a mortgage, for redeeming bonds?

Answer. To income account No. 225, "Miscellaneous debits."

CASE 361.

Query. To what account should be charged the cost of track drips installed for draining tracks? These drips are installed without regard to street intersections or crossings, depending entirely on the condition of the soil.

Answer. The original cost of such drips, whether installed with new construction or subsequent thereto, shall be charged to road and equipment account No. 504, "Grading."

The cost of labor repairing or renewing track drips shall be charged to operating expense account No. 8, "Track and roadway labor." Material used in connection therewith shall be charged to account No. 9, "Miscellaneous track and roadway expenses." (See Case 350.)

CASE 362.

Query. To what account should be charged expenses in connection with handling electric light and power accounts, including cost of meter reading, billing, and collecting by clerks connected with the general office?

Answer. If the light and power business is not accounted for as an auxiliary operation, the expenses in connection with the handling of the electric light and power accounts shall be included in the appropriate general expense accounts for the railway business. Expenses in connection with the reading of meters and the billing and collecting of light and power bills shall be charged to operating expense account No. 84, "Salaries and expenses of general office clerks."

If the light and power business is accounted for as an auxiliary operation, the expenses in connection with the handling of electric light and power accounts, including meter reading, billing, and collecting, shall be charged to account No. 214, "Auxiliary operations—Expenses," and if any of such expenses are included in the railway operating expense accounts they should be cleared therefrom by crediting operating expense account No. 100, "Other operations—Cr.," and charging account No. 214. (*See paragraphs 2 and 3 on page 17 of the Uniform System of Accounts for Electric Railways and Cases 28, 188, 198, 243, 300, and 348.*)

CASE 363.

Query. To what account should be charged amounts paid for alleged damage to water and gas pipes by electrolysis?

Answer. To operating expense account No. 92, "Injuries and damages."

CASE 364.

Query. To what account should be charged the cost of handling patterns which are kept in the custody of the stores department?

Answer. To operating expense account No. 95, "Store expenses."

CASE 365.

Query. Stoves have been installed in a company's cars for the purpose of heating by the hot-water system. To what accounts should be charged the cost of installing the stoves and piping, and repairs thereto?

Answer. The original cost of the stoves and piping shall be charged to road and equipment account No. 580, "Passenger and combination cars," or No. 531, "Freight, express, and mail cars," as may be appropriate.

The cost of repairs shall be charged to operating expense account No. 30, "Passenger and combination cars," or No. 81, "Freight, express, and mail cars," as may be appropriate.

The cost of fuel shall be charged to operating expense account No. 67, "Miscellaneous car-service expenses."

CASE 366.

Query. To what account should be charged the rent paid by a company for a power-plant building, power-plant equipment, and transmission lines? The lessee company has the exclusive use and maintains and operates the property leased. The amount of rent paid represents interest on investment only.

Answer. To income account No. 217, "Miscellaneous rents." (*See Case 283.*)

CASE 367.

Query. To what account should be charged the cost of teaming materials, and cost of tools, used in construction?

Answer. The cost of hauling track material by team for construction purposes should be charged as follows:

To account No. 504, "Grading," if the cost of material is chargeable thereto; and to account No. 505, "Ballast," if the cost of the material is chargeable thereto (the cost of final distribution of ballast shall be charged to account No. 510, "Track and roadway labor"). The cost of teaming ties, rails, rail fastenings, special work, and material for underground construction, from storerooms or supply yards in final distribution, shall be charged to account No. 510, "Track and roadway labor." (*See Case 377.*)

The cost of tools purchased for use in construction shall be charged to the same primary account as the cost of work on which they are used. If, however, the tools are used generally, making it impracticable to distribute the cost to the several accounts affected, it may be charged to account No. 529, "Other expenditures—Way and structures." (*See third paragraph of section 3 and section 10 of the general instructions on pages 92 and 93 of the Uniform System of Accounts for Electric Railways and Cases 76 and 137.*)

CASE 368.

Query. An electric railway crosses a steam railroad at grade and shares in the expense of maintaining the crossing. To what account should be charged the electric railway's proportion of the cost of maintaining this crossing?

Answer. The electric railway company's proportion of the cost of labor and material shall be charged to the same accounts as if the electric railway did the work itself; for example, if the material used is chargeable to accounts Nos. 2 to 7, inclusive, the cost of labor shall be charged to account No. 8, "Track and roadway labor." If repairs are made to signals or interlocking apparatus, the labor and material shall be charged to account No. 17, "Signal and interlocking apparatus."

CASE 369.

Query. A company built an extension to its line, and property owners served by the extension agreed to pay \$25,000 toward the cost thereof. How should this contribution be accounted for?

Answer. The amount donated by the property owners shall be credited to profit and loss account No. 305, "Donations." The cost of constructing the extension shall be included in the appropriate road and equipment accounts. (*See the second paragraph of the text and the note of account No. 305, "Donations."*)

CASE 370.

Query. In connection with the reconstruction of a track over which operations are being conducted at the same time, it is necessary to have flagmen and watchmen, stationed at the place where the work is being done, to regulate the operation of cars and direct passengers. To what account should the wages of such employees be charged?

Answer. To account No. 66, "Miscellaneous car-service employees."

CASE 371.

Query. Is it permissible to credit operating revenue accounts with amounts representing the cost of transporting men engaged, and materials used, in the operations of a company?

Answer. The rules contained in the Uniform System of Accounts do not permit charging operating expenses and concurrently crediting operating revenues

with amounts representing the cost of transporting men engaged in and material to be used for maintenance and operation.

Charges made to construction accounts for the actual cost (or an estimate thereof) of transporting men and material for construction purposes shall be credited to operating expense general account VII, "Transportation for investment—Cr.," if the cost of such transportation was charged in the original distribution to operating expenses. (*See Cases 60 and 114.*)

CASE 372.

Query. To what account should be charged the amount of a premium paid on a bond given the United States Government in order to qualify a carrier to transport merchandise in bond?

Answer. To operating expense account No. 89, "Miscellaneous general expenses."

CASE 373.

Query. To what accounts should be charged rent and taxes on land leased for freight-house purposes?

Answer. The rent shall be charged to income account No. 217, "Miscellaneous rents," and the taxes to income account No. 215, "Taxes assignable to railway operations."

CASE 374.

Query. To what account should be charged amounts paid for the privilege of erecting poles to support distribution and transmission lines?

Answer. To account No. 23, "Miscellaneous electric line expenses," or No. 49, "Transmission system," as may be appropriate. (*See Case 20.*)

CASE 375.

Query. Should the cost of all purchased power be charged to operating expense account No. 59, "Power purchased," or may the amount of power used by a work train be charged directly to the appropriate maintenance accounts?

Answer. The cost of all power purchased shall be charged to account No. 59, "Power purchased," as required by the text thereof. In this connection see the text of account No. 61, "Power transferred—Credit." (*See Cases 140 and 165.*)

CASE 376.

Query. A portion of a company's track was laid upon a street which was later regraded by the municipality for the purpose of eliminating hills. The cost of regrading that portion of the street lying under the tracks was assessed against the company. To what account should be charged the amount of this assessment?

Answer. To road and equipment account No. 504, "Grading."

CASE 377.

Query. What is meant by the term "except final distribution" as found in road and equipment accounts Nos. 505, "Ballast"; 506, "Ties"; 507, "Rails, rail fastenings, and joints"; 508, "Special work"; and 509, "Underground construction"?

Answer. By this term is meant expenses incident to the distribution of ballast, ties, rails, rail fastenings and joints, special work, and materials used in under-

ground construction from the storehouse or delivery point to the place where such material enters into construction. (*See Cases 114 and 367.*)

CASE 378.

Query. What is meant by the term "cost of transporting," as used in operating expense general account VII, "Transportation for investment—Cr."? Is this term intended to include items of taxes, interest, or return upon investment?

Answer. By this term is meant such expenses as have been, for practical reasons, temporarily charged to operating expense accounts, but which are properly includible as a part of the cost of construction. No credit shall be made to this account for such items as taxes, interest, or return upon investment, as these are not included in operating expenses. (*See Case 59.*)

CASE 379.

Query. Is it proper to distribute the pay of officials in charge of the engineering and track-maintenance departments, who devote part of their time to construction, upon the basis of charges to construction and operating expenses?

If clerks in an executive office give substantially all of their time to the preparation of work orders and authorizations for construction expenditures, should their salaries and expenses be charged to road and equipment accounts?

Answer. If all or a substantial proportion of the time of officers in charge of the engineering or track-maintenance departments and of clerks employed in executive offices is devoted to construction work, it is proper to include in the construction accounts an equitable proportion of their salaries, such proportion being based upon the amount of time devoted to construction work. (*See paragraph 11 of the general instructions contained on page 98 of the Uniform System of Accounts for Electric Railways.*)

CASE 380.

Query. To what account should be charged the cost of an electric track switch installed in connection with new track?

Answer. To road and equipment account No. 508, "Special work."

CASE 381.

Query. A railway company has purchased a gravel pit in order to secure gravel for ballast.

(1) To what account should be charged the cost of the land purchased for gravel purposes?

(2) To what account should be charged the wages of employees engaged in excavating and transporting gravel?

(3) To what account should be credited the proceeds of incidental sales of gravel?

Answer. When the company does not use a clearing account as provided in Note A of operating expense account No. 2, "Ballast," or road and equipment account No. 505, "Ballast," the accounting shall be as follows:

(1) The cost of land bought for gravel purposes shall be charged to road and equipment account No. 503, "Other land used in electric railway operations." Any reduction in the value of the property due to the removal of gravel shall be credited to account No. 503 and included in the cost of the ballast.

(2) The wages of employees excavating and transporting gravel for company use shall be charged to operating expense account No. 2, "Ballast," or road and equipment account No. 505, "Ballast," as may be appropriate.

(8) If the railway company excavates the ballast, the proceeds of such incidental sales shall be credited to account No. 119, "Miscellaneous." If the vendee excavates the ballast, the profit (over and above the cost to the carrier of the gravel excavated) realized from the sale shall be credited to income account No. 212, "Miscellaneous Income." (*See Case 98.*)

CASE 382.

Query. To what account should be charged payments for loss and damage to clothing and other personal apparel not carried as baggage?

Answer. To account No. 92, "Injuries and damages."

CASE 383.

Query. In relocating its line an electric railway purchased a piece of unimproved city property abutting on a street which is to be paved. None of the paving will be laid on the land used for right of way. To what account should the paving assessment be charged?

To what account should be charged the initial cost of paving a street adjacent to lots used for Y-track purposes?

Answer. The amount of the assessment and the initial cost of such paving shall in each case be included in the same account as the cost of the abutting property.

CASE 384.

Query. To what account should be charged amounts paid in settlement of injury and damage claims for accidents occurring in an amusement park when operated (1) for the purpose of attracting traffic, or (2) as an auxiliary operation? (3) To what account should be charged insurance premiums on structures and buildings located in a park operated for the purpose of attracting traffic?

Answer. (1) To account No. 81, "Parks, resorts, and attractions." (2) To account No. 214, "Auxiliary operations—Expenses." (3) To account No. 81, "Parks, resorts, and attractions."

CASE 385.

Query. A railway company has deposited a number of its bonds with a trust company as collateral for short-term trust notes. How should the deposited bonds be accounted for?

Answer. The par value of the deposited bonds shall be credited to balance sheet account No. 427, "Funded debt unmatured," and correspondingly charged to account No. 422, "Securities issued or assumed—Pledged," unless the bonds had previously been issued and are held in the company's treasury, in which case account No. 421, "Securities issued or assumed—Unpledged," shall be credited and account No. 422 debited with their par value. In reporting these bonds in the annual report to the Interstate Commerce Commission the par value thereof shall be deducted, in the short column, from the total book liability and, likewise, reported in the short column on the asset side of the balance sheet (in account No. 422).

CASE 386.

Query. To what account should be charged the wages of freight-car inspectors, whose duty it is to pass on freight equipment received in interchange with foreign lines under Master Car Builders' Association rules and to inspect air brakes and trucks of freight cars before such cars leave terminals?

Answer. The wages of such inspectors shall be charged to operating expense account No. 70, "Carhouse employees," as provided in Case 304, unless the primary purpose of the inspection is to ascertain needed repairs, in which case account No. 31, "Freight, express, and mail cars," shall be charged.

CASE 387.

Query. A company is required by a municipality to move its poles from the center to the side of the street. To what account should the cost of removing the poles be charged?

Answer. If no additions and betterments were made in connection with the transfer of the poles, the expense of their removal shall be charged to operating expense account No. 20, "Poles and fixtures." (See Case 264.)

CASE 388.

Query. Does the term "regular rail equipment," contained in Case 274, include cars in commercial service only, or does it include steam shovels, unloaders, track pile drivers, and other service equipment?

Answer. The term as used in Case 274 is intended to include all equipment permanently mounted on trucks and moving over the company's tracks.

CASE 389.

Query. A company maintains and operates an interurban union station solely for the benefit of several tenant companies. All of the expenses of the station company are borne by the tenant companies upon the basis of ticket sales, freight tonnage, and baggage handled. To what account should the tenant companies charge their proportion of these expenses? No other rental is paid by the tenant companies.

Answer. The proportion of the cost of operating the union station, borne by the tenant companies, shall be charged to operating expense account No. 97, "Rent of tracks and facilities."

CASE 390.

Query. To what account should be charged the cost of installing "first aid" packages in cars and shops?

Answer. The cost of installing "first aid" chests or cabinets which are of a permanent nature shall be charged to the appropriate road and equipment account, according to the class of equipment or structure. If, for instance, the chests or cabinets are installed in passenger cars, the cost shall be charged to road and equipment account No. 530, "Passenger and combination cars," and if in shops, to account No. 523, "Shops and carhouses." The cost of the contents of such chests and cabinets, such as bandages, drugs, and other supplies, when purchased to replace similar supplies consumed in operation, shall be charged to operating expense account No. 92, "Injuries and damages."

CASE 391.

Query. To what account should be charged the cost of maintaining passimeter turnstiles located at elevated and subway stations?

Answer. To operating expense account No. 24, "Buildings, fixtures, and grounds."

CASE 392.

Query. To what account should be credited amounts collected from connecting carriers for hauling freight cars at a flat rate per car?

Answer. To operating revenue account No. 107, "Freight revenue," or No. 108, "Switching revenue," as may be appropriate.

CASE 393.

Query. To what account should be charged employers' liability insurance premiums paid in connection with construction work?

Answer. To the primary road and equipment accounts to which is chargeable the cost of the work upon which the employees are engaged. If it is impracticable to include the cost of insurance in the appropriate account under the general accounts "Way and structures," "Equipment," and "Power," the cost of such insurance should be included in road and equipment account No. 550, "Miscellaneous," as provided in the text thereof.

CASE 394.

Query. To what account should be charged the cost of lanterns, oil, wicks, and similar supplies, and the wages of watchmen in connection with the construction of new track?

Answer. The cost of the lanterns, oil, wicks, and similar supplies shall be included in the same primary road and equipment accounts as the cost of the work in connection with which they are used. If it is impracticable to thus distribute the cost of such items, it shall be included in account No. 529, "Other expenditures—Way and structures."

The wages of watchmen employed in construction work (the labor on which is chargeable to road and equipment account No. 510) shall be charged to account No. 510, "Track and roadway labor."

CASE 395.

Query. A company has installed dynamotor compressors in its passenger cars for the purpose of generating energy to supply air for air brakes and power for lighting cars and operating the control apparatus. To what account should be charged the cost of maintaining the dynamotor compressors?

Answer. To account No. 80, "Passenger and combination cars."

CASE 396.

Query. A company owns a tract of land, part of which is used as a material yard. On a part of this land are also located a general office, power plant, car-house, and car shops. To what account should be charged a sewer assessment levied against such property?

Answer. To account No. 503, "Other land used in electric railway operations." (See Cases 2, 85, and 161.)

CASE 397.

Query. (1) To what account should be charged the cost of labor unloading and handling old ties and lumber shipped to a store yard for use later as company fuel?

(2) To what account should be charged the cost of labor unloading and handling new ties shipped to the store department and placed in stock?

Answer. (1) The cost of such labor shall be included in an appropriate material and supply account representing the value of ties and lumber for fuel purposes.

(2) The cost of labor unloading and handling ties placed in stock shall be added to the cost of the ties.

CASE 398.

Query. To what account should be charged the fee and expenses of a consulting engineer and the cost of surveys for the purpose of mitigating electrolysis in city water mains?

Answer. To account No. 22, "Distribution system," if occasioned by the distribution system, or to account No. 49, "Transmission system," if occasioned by the transmission system.

If it can not be determined which of the systems should bear the whole charge, the expense shall be equitably distributed between accounts Nos. 22 and 49.

CASE 399.

Query. A company keeps extra sets of wheels on hand to be used to replace wheels removed from cars. How should the cost of these extra sets of wheels be accounted for?

Answer. The original cost of the extra sets of wheels shall be included, until used, in the appropriate material and supply account. When wheels are taken out of store and used to replace others worn out in service, the material and supply account shall be credited and the appropriate operating expense account charged.

CASE 400.

Query. To what account should be charged wages paid to conductors and motormen while "breaking in"?

Answer. To the same operating expense accounts as the wages of conductors and motormen engaged in regular employment.

CASE 401.

Query. To what account should be credited a penalty received from car builders owing to failure to deliver cars as per contract?

Answer. To the road and equipment account to which the cost of the cars has been charged.

CASE 402.

Query. An industry paid a sum of money to an electric railway company as an inducement to build a connecting track between its line and the line of another carrier. How should the entire transaction be accounted for?

Answer. The cost of building the connecting track shall be charged to the appropriate road and equipment accounts, and the amount received from the industry as an inducement to make the connection shall be credited to profit and loss account No. 305, "Donations," unless, as provided in the second paragraph of the text of account No. 305, there are conditions imposed requiring reimbursement for noncompliance.

CASE 403.

Query. A part of the road used by company A is owned by company B. Under a joint arrangement company A operates the stations on this portion of the line, billing company B for its portion of the joint expenses based on car mileage. To what account should amounts billed against company B be credited?

Answer. To the operating expense accounts which were originally charged with such expenses.

CASE 404.

Query. To what account should be charged the wages of electric railway wharf employees engaged in tying up incoming boats, casting off lines for departing boats, and performing general duties in connection with a water line?

Answer. To operating expense account No. 68, "Station employees."

CASE 405.

Query. To what account should be charged the cost of repairing a heating system which furnishes heat to the car shops, repair pits, and superintendent's office?

Answer. To operating expense account No. 24, "Buildings, fixtures, and grounds."

CASE 406.

Query. Is it permissible to spread the cost of repairs over the 12 months subsequent to the completion of the repair work, or should such expenses be charged out during the same fiscal year in which incurred?

Answer. The cost of repairs shall be included in the appropriate primary operating expense accounts as incurred. Equalization accounts (Nos. 28, 44 and 51) are provided to enable carriers to have each month's accounts reflect, by *general account* totals, an equitable monthly proportion of the estimated or authorized maintenance expense for the year, and at the same time to show the actual expenditures by primary accounts. (See Case 307.)

CASE 407.

Query. To what account should be charged the cost of copies of transcript of testimony taken in rate cases before commissions?

Answer. To account No. 86, "Law expenses."

CASE 408.

Query. To what account should be charged an amount paid monthly as royalty for a dumping device used on service equipment in which cinders, coal, and other supplies are hauled? The amount of the royalty is based on the number of carloads dumped.

Answer. If the equipment is used in revenue service, the charge shall be to operating expense account No. 67, "Miscellaneous car-service expenses"; if in the company's own operations, such as maintenance work, the charge shall be to the work benefited.

CASE 409.

Query. To what account should be charged a payment to a municipality of \$30,000 in lieu of the hauling of earth and material by the carrier as required by a provision in a newly acquired franchise?

Answer. The amount so paid shall be charged to road and equipment account No. 545, "Franchises," and amortized in accordance with the instructions contained in the texts of accounts No. 545, "Franchises," and No. 91, "Amortization of franchises."

CASE 410.

Query. A company owns a building in which are located a passenger station and the general and departmental offices. The passenger station is so located that all the expenses pertaining thereto can readily be determined, but there are expenses common to all the general and departmental offices which can not readily be distributed, such as heat, light, water, ice, and telephone. How should the above expenses be accounted for?

Answer. The expenses incident to the operation of the passenger station shall be charged to operating expense account No. 69, "Station expenses." All of the other expenses referred to shall be charged to the appropriate primary accounts under general account VI, "General and miscellaneous," except the cost of maintaining the building, which shall be charged to operating expense account No. 24, "Buildings, fixtures, and grounds."

CASE 411.

Query. To what account should be charged the amount of a judgment and costs in connection with the settlement of a suit brought by the United States against a company for violation of the Federal hours of service law?

Answer. The amount of the judgment shall be charged to profit and loss account No. 817, "Miscellaneous debits," and the costs of the suit to operating expense account No. 86, "Law expenses."

CASE 412.

Query. To what account should be credited an amount collected by a carrier as damages from a power company for failure to furnish necessary power to operate cars in accordance with its contract? The measure of damages was the loss of revenue because of the carrier's inability to operate its cars.

Answer. To profit and loss account No. 306, "Miscellaneous credits."

CASE 413.

Query. Under a State workmen's compensation act a company is liable for injuries sustained by employees while in the performance of their duties. The act provides that, by agreement with the beneficiaries, the compensation may be paid in a lump sum instead of in weekly payments over the required period. If the company elects to make weekly payments, should the total liability be set up on the books when it is determined or should the weekly payments be charged to operating expense account No. 92, "Injuries and damages," without setting up the total liability?

Answer. If the company maintains a reserve for injuries by monthly charges to operating expense account No. 92, "Injuries and damages," it would be proper to charge such reserve account as payments are made. If, however, the company does not maintain such a reserve, the total amount allowed as compensation for an injury shall be charged to operating expenses as soon as the amount to be paid is determined, preferably, if possible, in the fiscal year in which the injury occurred. The corresponding credit will record the liability, and it is then immaterial whether the amount is paid in one lump sum or in installments.

CASE 414.

Query. To what account should be charged the cost of maintaining a ticket bureau the functions of which are to contract for the printing of tickets and to distribute them among ticket agents?

Answer. The salaries and expenses of clerks employed in this bureau shall be charged to operating expense account No. 84, "Salaries and expenses of general office clerks." The cost of printing the tickets shall be charged to account No. 94, "Stationery and printing."

CASE 415.

Query. To what account should be charged the cost of repairing flags used on a general office building?

Answer.—To account No. 85, "General office supplies and expenses."

CASE 416.

Query. To what account should be charged the cost of installing an overhead trolley wire and special switches used in connecting current on a ferry boat which carries passenger coaches?

Answer. To account No. 521, "Distribution system."

CASE 417.

Query. To what account should be charged the cost of labor, fuel, and supplies necessary in connection with the operation of a steam shovel used in excavating ballast for maintenance purposes?

Answer. The cost of labor in connection with such excavating, together with all expenses incident thereto, including fuel and supplies for the steam shovel, shall be charged to operating expense account No. 2, "Ballast."

CASE 418.

Query. To what account should be charged the cost of power purchased for lighting arc lights furnished under a franchise requirement?

Answer. To operating expense account No. 59, "Power purchased."

CASE 419.

Query. To what account should be charged the rent of motor busses used for transporting passengers during the progress of reconstruction work?

Answer. To operating expense account No. 98, "Rent of equipment."

CASE 420.

Query. To what account should be charged the cost of constructing steam mains and distributing pipes for conveying steam along city streets from a power house to various buildings where the steam is used for heating purposes?

Answer. To road and equipment account No. 524, "Stations, miscellaneous buildings, and structures."

CASE 421.

Query. To what account should be charged the cost of general officers' business cars?

Answer. To road and equipment account No. 532, "Service equipment."

CASE 422.

Query. To what account should be charged the salary and expenses of a chief special agent who supervises investigations made by his assistants for a number of departments?

Answer. The salary and expenses of the chief special agent shall be charged to operating expense account No. 83, "Salaries and expenses of general officers."

CASE 423.

Query. To what account should be charged the rent of fire plugs placed inside and adjacent to car barns to be used only in case of fire?

Answer. To operating expense account No. 24, "Buildings, fixtures, and grounds."

CASE 424.

Query. To what account should be charged the cost of taking off, oiling, and testing lightning arresters on cars?

Answer. To operating expense account No. 33, "Electric equipment of cars."

CASE 425.

Query. To what account should be charged the wages of a shop foreman who is on sick leave?

Answer. When an employee is unable to perform his duties on account of sickness and his wages are paid during such absence, and no special action has been taken, the amount paid shall be charged to the accounts to which his time would have been charged if he had been at work. If, however, a welfare plan has been adopted by the company and payments are made in conformity therewith, or if special action has been taken by the officers of the company in relation thereto, such payments shall be charged to operating expense account No. 88, "Pensions and gratuities." (See Cases 10, 52, 110, and 425.)

CASE 426.

Query. A railway company has leased its power station to another company for a period of 20 years, and in connection with the lease incurred special legal and other expenses. To what account should such expenses be charged?

Answer. To income account No. 204, "Miscellaneous rent income."

CASE 427.

Query. To what account should be charged the cost of newspaper advertising for the purpose of calling attention to new forms of transfers, discontinuance of the operation of ferryboats, and to unusual service, such as New Year's Eve and other times?

Answer. To operating expense account No. 80, "Advertising."

CASE 428.

Query. Is revenue account No. 116, "Rent of equipment," intended to cover amounts received for the use of rail equipment only, or is it intended to include rent of all equipment mentioned in road and equipment accounts Nos. 530 to 538, inclusive?

Answer. Operating revenue account No. 116, "Rent of equipment," is intended to include the rent received for use of any equipment included in road and equipment accounts Nos. 530 to 538, inclusive.

CASE 429.

Query. To what account should be charged the cost of replacing an air hose lost or stolen from a steam road freight car while upon an electric railway's tracks?

Answer. To operating expense account No. 81, "Freight, express, and mail cars."

CASE 430.

Query. A contractor obtained a judgment against a railway company for grading its right of way. Several of the bondholders purchased the judgment, which has not been paid by the railway company. How should this transaction be recorded in the accounts of the carrier?

Answer. The amount of the judgment shall be charged to road and equipment account No. 504, "Grading," and a corresponding credit to represent the company's liability shall be made to balance-sheet account No. 432, "Miscellaneous accounts payable."

CASE 431.

Query. In what account should be included the proceeds derived from the sale of waste paper and old records?

Answer. The amount of such proceeds shall be credited to account No. 119, "Miscellaneous."

CASE 432.

Query. To what extent should detailed information be shown in the general books of electric railway companies?

Answer. The records shall be kept with sufficient particularity to show fully the facts pertaining to all entries made in the accounts. Where the full information is not recorded in the general books the entries therein shall be supported by other records in which the full details shall be shown. Such general book entries shall contain sufficient reference to the detail records to permit ready identification of the latter, and the detail records shall be kept in such manner as to be readily accessible when required for examination by representatives of the Interstate Commerce Commission.

CASE 433.

Query. What should be the accounting for commissions paid to brokers for the purchase of the securities of other companies?

Answer. The amount of such commissions shall be considered as a part of the cost of the securities purchased.

CASE 434.

Query. Is it required that all materials and supplies be carried through the materials and supplies account?

Answer. No. Materials and supplies purchased for a specific purpose or for immediate use may be charged to the accounts affected and need not be carried through account No. 411, "Material and supplies."

CASE 435.

Query. Does the Uniform System of Accounts for Electric Railways require that assets be specifically set aside to cover sinking-fund appropriations?

Answer. No. The setting aside of assets usually depends upon the provisions of the mortgage or upon the policy of the company. If assets are set aside they shall be carried in account No. 402, "Sinking funds."

CASE 436.

Query. What should be the accounting for amounts paid or received for options to bind a proposed purchase, sale, or lease?

Answer. Amounts paid for options shall, pending final disposition, be charged to account No. 420, "Other unadjusted debits." If the general project for which the option was obtained is finally carried out, the cost of the option shall be considered as part of the price or rental paid and charged to the appropriate asset, income, or other account. If the general project is finally abandoned, the cost shall be charged to account No. 317, "Miscellaneous debits."

Amounts received for options given by the company shall, pending final disposition, be credited to account No. 446, "Other unadjusted credits." If the transaction is made as contemplated, the amount received shall be considered as a part of the price or rental received and credited to the appropriate account. If the option is forfeited, the amount originally received by the company shall be credited to account No. 306, "Miscellaneous credits."

CASE 437.

Query. Should notes be treated as funded debt or a current liability if given when money is borrowed under an arrangement requiring a series of partial payments which commence within a year but extend over a period longer than one year?

Answer. Such notes shall be treated as funded debt and credited to account No. 427, "Funded debt unmatured."

CASE 438.

Query. When the expenses of a State utilities commission are borne by the utilities and apportioned among them, to what account should be charged an electric railway company's proportion of such expenses?

Answer. To account No. 215, "Taxes assignable to railway operations."

CASE 439.

Query. To what accounts should be charged the original cost and the cost of repairing portable fire-hose bridges?

Answer. The original cost of portable fire-hose bridges shall be charged to account No. 538, "Miscellaneous equipment," and the cost of repairs shall be charged to operating expense account No. 30, "Miscellaneous equipment expenses."

CASE 440.

Query. A company having a number of electric locomotives in service keeps on hand extra armatures and pantographs for emergency use in order to keep its equipment in service when similar parts are removed for repairs. To what account should be charged the cost of such extra armatures and pantographs? Is it permissible to accrue depreciation on such parts?

Answer. The cost of the extra armatures and pantographs shall be included in the appropriate road and equipment accounts, and accruals for depreciation thereon shall be accounted for in the same manner as for the equipment in connection with which they are used.

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Accounting Bulletin No. 15

**INTERPRETATIONS
OF
ACCOUNTING CLASSIFICATIONS**

**PRESCRIBED BY THE
INTERSTATE COMMERCE COMMISSION**

**FOR
STEAM ROADS
IN ACCORDANCE WITH SECTION 20 OF THE
ACT TO REGULATE COMMERCE**

Effective on January 1, 1918

(Supersedes Accounting Bulletin No. 10)



**WASHINGTON
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Rec'd

THE INTERSTATE COMMERCE COMMISSION.

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GEORGE B. MCGINTY, *Secretary.*

(2)

ORDER.

At a General Session of the INTERSTATE COMMERCE COMMISSION, held at its office in Washington, D. C., on the 17th day of December, A. D. 1917.

The subject of a Uniform System of Accounts to be prescribed for and kept by carriers being under consideration, the following order was entered:

It is ordered, That the interpretations of the accounting classifications for steam roads, prepared under the direction of this Commission and embodied in printed form to be hereafter known as Accounting Bulletin No. 15, a copy of which is now before this Commission, be, and the same is hereby, approved; that a copy thereof, duly authenticated by the Secretary of the Commission, be filed in its archives, and a second copy thereof, in like manner authenticated, in the office of the Bureau of Carriers' Accounts; and that each of said copies so authenticated and filed shall be deemed an original record thereof.

It is further ordered, That the accounting methods directed in the interpretations contained in the said Accounting Bulletin No. 15 be, and they are hereby, prescribed for the use of steam roads subject to the provisions of the Act to Regulate Commerce, as amended, in the keeping and recording of their accounts.

It is further ordered, That January 1, 1918, be, and it is hereby, fixed as the date on which the said Accounting Bulletin No. 15 shall become effective.

By the Commission.

[SEAL.]

GEORGE B. MCGINTY,
Secretary.

**INTERSTATE COMMERCE COMMISSION,
BUREAU OF CARRIERS' ACCOUNTS,
*Washington, D. C., January 8, 1918.***

TO ACCOUNTING OFFICERS OF STEAM RAILWAYS:

In this accounting bulletin is presented a reissue of Cases 1 to 203, inclusive, as formerly stated in Accounting Bulletin No. 10, except for the correction of misplaced terms in Case 176. To these previously published cases are now added a supplementary series embodied in Cases 204 to 293, inclusive.

The cases now given their initial publication have been submitted in tentative form to the Association of American Railway Accounting Officers.

FRED W. SWENEY,
Chief Examiner of Accounts.

CASE 6.

Query. The text of the clearing account "Material store expenses" provides that the account shall be closed out at the end of the year. Shall not a balance representing cost of handling material in stock at the end of the year be carried over to the next year?

Answer. Such balance shall not be carried over to the next year.

CASE 7.

Query. To what account shall be charged expenses of hauling loads from mines to points of concentration and distributing empties to mines?

Answer. If the mines are located within the switching limits of the concentration station, such expenses shall be charged to the appropriate yard-service accounts. If not so located, and the freight is billed from the mines, the entire service shall be classed as train service.

The expenses and the statistics of locomotive-miles, car-miles, train-miles, ton-miles, etc., shall be treated accordingly. (See Case 97.)

CASE 8.

Query. To what account shall be charged the wages of motormen and the expenses of operating gasoline motor cars used in revenue train service?

Answer. Wages of motormen are provided for in account No. 393, "Train motormen." The expense for gasoline and other fuel, lubricants, and other supplies, including enginehouse expenses, if any, shall be charged to account No. 402, "Train supplies and expenses." The carrier's records shall be kept in such manner as to show separately the cost of gasoline or other fuel consumed in the operation of such cars.

CASE 9.

Query. Road A turns Road B's locomotive. A charges B for turning the locomotive and for use of the tracks. What is the correct accounting by both roads?

Answer. If the use of the facilities is not in connection with the joint use regularly of other facilities, the compensation for turning the locomotive and for use of the tracks shall be credited by A to revenue account No. 143, "Miscellaneous," and charged by B to expense account No. 402, "Train supplies and expenses." If, however, the use of these facilities is under a joint facility arrangement, the accounting by each road shall be in accordance with the rules prescribed for joint facility accounts.

CASE 10.

Query. When the president of a carrier company is directly in charge of the operating departments, how shall the salaries and expenses of that officer and his clerks be distributed?

Answer. If the president is immediately in charge of the departments usually supervised by officers named in the accounts "Superintendence" under Maintenance of Way and Structures, Maintenance of Equipment, Traffic, and Transportation, his salary and expenses and those of his clerks and assistants shall be apportioned in accordance with Note A under expense account No. 451, "Salaries and expenses of general officers." If the president has, as is usual, only general supervision over the various departments, his salary and expenses shall be charged to expense account No. 451, "Salaries and expenses of general officers."

CASE 11.

Query. Road B is required, under agreement with Road A, to provide equipment to replace that destroyed or sold, or to pay an equivalent in cash to Road A. Is it per-

missible for B to keep a dismantled-equipment account wherein to show the exact amount due A because of dismantled and sold equipment?

Answer. Such an account may be kept. The credit balance in such account shall be included in balance-sheet account No. 778, "Other unadjusted credits."

CASE 12.

Query. In what account shall be included the cost of coal, wood, and oil for use in firing up locomotives for service?

Answer. In the appropriate account "Fuel for locomotives."

CASE 13.

Query. To what account shall a carrier credit amounts received for the privilege of placing a telephone line over its tracks? The right is reserved to revoke the privilege at pleasure.

Answer. The privilege given is merely a license, and the receipts therefrom shall be credited to income account No. 519, "Miscellaneous income."

CASE 14.

Query. To what accounts shall be credited amounts charged to other roads for transferring the lading of cars? These transfers are made necessary through fault of the other roads, and the charges include the cost of transferring the lading, per diem or car hire accruing upon the cars, and a charge per car for switching.

Answer. The portions of such charges covering per diem or car hire accruing on cars at the time of transfer shall be credited to the account "Hire of freight cars." The portions of the charges covering the cost of transferring the contents of cars shall be credited to the account to which the cost of the transfer service is charged. The charges per car for switching such cars shall be credited to revenue account No. 110, "Switching."

CASE 15.

Query. A railroad operates some of its station restaurants and leases others at a nominal rent, the lessee receiving all revenues and paying all expenses except as to coal and ice, which are furnished without charge by the railroad. To what account shall the railroad charge the cost of the coal and the ice thus furnished for use in the leased restaurants?

Answer. Such cost shall be charged to operating expense account No. 376, "Station supplies and expenses."

CASE 16.

Query. A railroad purchased a building, apart from its right of way, for use as a dwelling by a superintendent, taking the title thereto in the name of a vice president, who filed with the railroad a declaration of trust. How shall this expenditure be classified?

Answer. Such expenditure shall be included in balance-sheet account No. 705, "Miscellaneous physical property."

CASE 17.

Query. What accounts shall be charged with the loss on obsolete material which is taken out of stock and sold as scrap?

Answer. Such loss shall be charged to the operating expense accounts to which the material ordinarily would be charged if issued for use.

CASE 18.

Query. Road A and Road B operate their trains over a portion of A's tracks. A charges B rent based on the valuation of the property. B maintains and operates these tracks and is reimbursed by A for a portion of the expenses, reckoned upon a wheelage basis. What is the correct accounting?

Answer. Both roads shall include the rent in joint facility rent accounts in Income. The cost of maintenance and operation shall be included in B's primary accounts; the proportion of such cost paid by A shall be included by both roads in the appropriate joint facility expense accounts. (See Case 28.)

CASE 19.

Query. To what account shall be charged expenses and settlement payments on account of injuries to a prospective passenger caused by a maintenance-of-way work train?

Answer. The class of train causing the injury determines the distribution of the charge. Therefore such expenses and settlements shall be charged to maintenance expense account No. 274, "Injuries to persons." (See Case 119.)

CASE 20.

Query. Road A makes all repairs to Road B's equipment and charges B the actual cost thereof. For the purpose of determining accurately the cost of these repairs is it permissible that the operations of A's shops be treated through a clearing account?

Answer. It is.

CASE 21.

Query. How shall a carrier dispose of amounts allowed for loyal service of certain employees during a strike?

Answer. Such allowances shall be distributed to the accounts to which the pay of the employees is chargeable.

CASE 22.

Query. In what accounts shall be included the pay and expenses of—

(a) An auditor who acts as general bookkeeper?

(b) A general superintendent who is immediately responsible for the whole local management of the road?

(c) A general agent who acts as clerk to the general superintendent and as local agent at the only station where there is an agent?

Answer. Such expenses shall be included as follows:

(a) Expense account No. 451, "Salaries and expenses of general officers."

(b) Shall be apportioned as directed in Note A under account No. 371, "Superintendence."

(c) The proportion covering services as clerk shall be apportioned in accordance with Note A under account No. 371, "Superintendence," and the remainder shall be included in account No. 373, "Station employees."

CASE 23.

Query. The tracks, station buildings, and other facilities between X and Y, owned by Road A, are used jointly by A and Road B. For the use of these facilities B pays A a specified rent upon a valuation basis, proportion of cost of maintenance upon a wheelage basis, and agreed proportion of the cost of station service (principally train telegraph service).

B's trains handle A's local freight and passenger business between these points in consideration of a stipulated percentage of revenue. What is the correct accounting by each railroad?

Answer. The specified rent shall be included in the joint facility rent accounts in Income. Proportion of cost of maintenance and operation shall be included in the appropriate joint facility operating expense accounts.

The proportion of the cost of maintaining and operating these tracks being provided for in a distinct arrangement, the percentage of revenue upon the local business retained by A shall be considered as additional rent and included by each carrier in the appropriate joint facility accounts in Income.

Road B shall include in its revenues the entire receipts from the local freight and passenger traffic between X and Y which is transported upon its trains and shall account for such traffic in its statistics.

CASE 24.

Query. How shall the revenues be classified when a carrier furnishes picnic trains at rates based on the number of cars in the trains, regardless of the number of people carried?

Answer. They shall be included in account No. 111, "Special service train."

CASE 25.

Query. To what account shall be credited the slight profits accruing from percentages added to bills against other companies and individuals to cover superintendence, use of tools, etc.?

Answer. Such profits shall be credited to Operating Expenses. (See Cases 61 and 79.)

CASE 26.

Query. Shall per diem reclaims be treated as a matter of hire of equipment?

Answer. They shall be so treated. (See Case 29.)

CASE 27.

Query. To what account shall be credited the amounts received upon the basis of a rate per car for switching express cars from one railroad to another as a part of a regular transportation movement?

Answer. Amounts received for such services shall be credited to revenue account No. 110, "Switching."

CASE 28.

Query. Road B has trackage rights over the line of Road A between two points, the consideration for these rights being based on a toll per loaded car. How shall the payments for these trackage rights be accounted for when A maintains the tracks between the two points?

Answer. Road A shall charge the expenses of maintenance, operation, etc., to its primary operating expense accounts. The charges against B shall be fairly apportioned by A among the joint facility operating expense and income accounts. The amount apportioned to maintenance shall be credited by A to account No. 279, "Maintaining joint tracks, yards, and other facilities—Cr."; that to operation, to account No. 391, "Operating joint yards and terminals—Cr.", or to account No. 413, "Operating joint tracks and facilities—Cr.", according to location of facilities; and that to income for interest on valuation or rent, to account No. 508, "Joint facility rent income." Road B shall charge the corresponding joint facility operating expense and income accounts.

In case considerable general expenses are involved in operations of the joint facilities, amounts shall be apportioned to cover such general expenses, which amounts shall be included in accounts "General joint facilities."

CASE 29.

Query. How shall per diem charges paid and reclaims received be accounted for by a switching railroad whose cars seldom leave its own line?

Answer. The per diem shall be charged and the reclaims shall be credited to income account "Hire of freight cars." (See Case 26.)

CASE 30.

Query. A railroad company sends out a locomotive and crew to pick up lumber lost off a freight train belonging to another company. To what account shall the wages of the crew and the compensation for the use of the locomotive be charged, and to what accounts credited?

Answer. The wages of the crew and expenses of the locomotive shall be charged by the company responsible for the loss of the lumber to expense account No. 418, "Loss and damage—Freight," and the creditor shall credit these items to the accounts to which they were originally charged. If a charge is made for rent of the locomotive, the amount thereof shall be included by both companies in the appropriate locomotive rent account in Income.

CASE 31.

Query. Road A pays all the expenses of a train service operated from an intermediate point on its lines to an intermediate point on Road B's line and charges B upon basis of train mileage the cost of the service while upon B's tracks. Each road receives the revenue accruing upon its own line. What is the proper accounting for the expense of the service?

Answer. The expenses shall be included by each railroad in the primary expense accounts other than joint facility accounts. This is not a joint facility. If any portion of the charge for the train service is for hire of equipment, the amount thereof shall be included in the appropriate equipment rent accounts in Income.

CASE 32.

Query. It is provided in account No. 418, "Loss and damage—Freight," that interest and penalties assessed for nonpayment of freight claims shall be included in this account. Is this provision intended to include interest and penalties on overcharge claims?

Answer. Interest and penalties on loss and damage claims shall be included in account No. 418, "Loss and damage—Freight." Interest on overcharge claims shall be included in account No. 547, "Interest on unfunded debt." Penalties on overcharge claims shall be included in account No. 460, "Other expenses."

CASE 33.

Query. In what account shall be included the rents paid by one carrier to another carrier for the exclusive use of yards and tracks—

(a) When upon the basis of a specified amount per month?

(b) When upon the basis of the number of cars handled over such tracks?

All expenses of maintenance are paid by the lessee. The taxes are paid by the lessor.

Answer. The rents, under either of the conditions stated, shall be included in the lease-of-road accounts in Income.

CASE 34.

Query. A company keeps a separate or independent fund from which pensions are disbursed. A certain amount per month, making an annual total 12 times as great, is appropriated through the Income Account and credited directly to an open account, which is closed annually when the amount is paid over. The pension fund is invested in interest-bearing securities. Whenever pensions are paid the amounts are debited to an open account and about every quarter collected from the trustee of the fund. There are no administration or other expenses in connection therewith. What is the proper accounting?

Answer. Amounts thus appropriated shall be charged to account No. 552, "Income applied to sinking and other reserve funds," and shall be concurrently credited to account No. 782, "Miscellaneous fund reserves." When such funds have been paid into the hands of trustees, the amount thereof shall be charged to balance-sheet account No. 721, "Insurance and other funds." The amount of pensions accrued shall be charged to account No. 457, "Pensions," and when paid shall be credited to account No. 721, "Insurance and other funds." Concurrently account No. 782, "Miscellaneous fund reserves," shall be charged, and Profit and Loss credited with an equal amount.

CASE 35.

Query. To what account shall be credited the difference between the value of special-admission amusement coupons issued in connection with transportation and the amount paid on the basis of actual collection?

Answer. The difference shall be credited to revenue account No. 143, "Miscellaneous."

CASE 36.

Query. To what account shall be charged the expense of removal of brasses from cars to prevent the loss of the brasses by theft when the cars are stored in hazardous locations?

Answer. Such expense shall be charged to the appropriate car repair account.

CASE 37.

Query. To what account shall be charged the amount of a judgment, including court costs, in an action of the United States against a carrier on account of defective appliances on cars?

Answer. It shall be charged to profit and loss account No. 621, "Miscellaneous debits." (See Cases 38 and 90.)

CASE 38.

Query. What account shall be charged with United States Government fines imposed by the collector of customs for the delivery of freight in bond directly to the consignee, instead of to the collector of the port, the offense being due to the failure of the delivery clerk at a freight yard to notify the customhouse inspector at the point of delivery?

Answer. They shall be charged to profit and loss account No. 621, "Miscellaneous debits." (See Cases 37 and 90.)

CASE 39.

Query. To what account shall be charged premiums paid to procure currency needed to pay the wages of employees?

Answer. They shall be charged to expense account No. 460, "Other expenses."

CASE 40.

Query. Two box cars which were carried in the carrier's account at the salvage value only are condemned, the bodies taken for use as bunk houses for track laborers, and the trucks put into service for wrecking purposes. What is the correct accounting?

Answer. Assuming that the equipment had been regularly written down to the amount of the salvage value, this amount shall be credited to road and equipment account No. 53, "Freight-train cars"; the proportion of this value represented by the salvage contained in the bodies of the cars, together with the cost of fitting up bodies as bunk houses, shall be charged to road and equipment account No. 17, "Roadway buildings." If the houses are used by laborers engaged in construction work, their cost shall be included in the accounts in which also is included the labor of the men who use them, and when such work is completed the accounts thus charged shall be credited with the depreciated value of the bunk houses.

The value of the salvage in the trucks shall be charged to the appropriate material account.

CASE 41.

Query. Road A has a drawbridge over a bayou, for the operation of which it employs bridgemen, the expense being prorated among four railroads. How shall amounts received by A be credited?

Answer. If the bridge is in a yard, credit expense account No. 391, "Operating joint yards and terminals—Cr."; if on road, credit expense account No. 413, "Operating joint tracks and facilities—Cr."

CASE 42.

Query. A carrier has an arrangement with other carriers whereby, for trackage rights within a certain district on its line, it receives as compensation a fixed allowance per car. This allowance is apportioned to joint maintenance, operating, and income accounts, the division being based upon estimates and available statistics for previous years.

What account shall be credited for an amount billed against one of these tenants for an accident damaging the carrier's tracks and some of the equipment of other carriers resting upon those tracks, and also an amount paid to one of the carrier's employees in settlement of a personal injury claim occasioned by such accident, the understanding being that the railroad causing the accident shall pay the expenses incident thereto, in addition to the amount it pays for trackage?

Answer. The carrier incurring the expenses, which under the contract belong solely to another carrier, shall, so far as practicable, charge the amounts of such expenses directly to account No. 715, "Miscellaneous accounts receivable," and credit pay roll, voucher, or material accounts, as the case may be.

The carrier responsible shall charge the expenses to its primary operating expense accounts other than joint facility accounts. (*See Cases 63, 66, and 132.*)

CASE 43.

Query. To what accounts shall interest paid on material bills be charged and cash and trade discounts be credited?

Answer. Interest shall be included in Income. All discount realized on bills for material purchased shall be credited to the account to which is charged the original invoice.

CASE 44.

Query. Amounts paid by Road A for hire of equipment used in joint-yard operations are prorated among three tenant lines upon basis of number of cars handled for each. How shall the payments and receipts be included in A's accounts?

Answer. They shall be included in the appropriate equipment rent accounts in Income.

CASE 45.

Query. Road A distributes the amount charged Road B upon a lump-sum basis for the joint use by B of A's terminal, as follows:

	Per cent.
"Maintaining joint tracks, yards, and other facilities—Cr.".....	10
"Operating joint yards and terminals—Cr.".....	25
"Joint facility rent income".....	65

Is it proper to apportion any part of such charges to rent?

Answer. If A owns the property operated jointly, the amount in excess of the proportionate expense of maintenance and operation shall be included by each railroad in the joint facility rent accounts in Income.

CASE 46.

Query. Road B uses Road A's tracks between two points, paying therefor a rent based upon valuation and also a proportion of maintenance and operating expenses based upon wheelage.

- A pays B a per cent of the value of A's tickets honored on B's trains.
 - B pays A a per cent of cash fares on B's trains between the two points.
 - B pays A full local rate on tickets sold by B honored on A's trains.
- How shall each road take the above items into its accounts?

Answer. The accounting shall be as follows:

(a) B shall credit full value of tickets to revenue account No. 102, "Passenger." The amount of this revenue less the amount paid by A to B shall be charged by B to income account No. 541, "Joint facility rents," and shall be credited by A to income account No. 508, "Joint facility rent income."

(b) B shall charge amount paid and A shall credit amount received to joint facility rent account in Income.

(c) A shall credit and B shall charge the full value of the tickets to revenue account No. 102, "Passenger."

CASE 47.

Query. To what account shall be credited the amount received by a carrier for the surrender of an unexpired lease for offices occupied by it?

Answer. It shall be credited to profit and loss account No. 607, "Miscellaneous credits."

CASE 48.

Query. Owing to certain freight yards of a carrier becoming congested it is found necessary to deliver cars at another point temporarily. The delivery involves special movements a distance of 1 to 3 miles. Shall the movements be included with freight-train miles or considered switching or yard movements of which no wheelage report would be made other than for the locomotive?

Answer. Mileage shall be considered merely as of switching or yard movements.

CASE 49.

Query. A lumber company's log train uses a carrier's line between its logging camp and mill. The equipment is owned by the lumber company and is operated by its employees, although, while on the carrier's line, the trains are under orders of the carrier's dispatcher. The carrier is compensated on a mileage basis. Shall this mileage be included in the carrier's statistics?

Answer. It shall not be so included.

CASE 50.

Query. May the distribution of the cost of fuel, stores, and other supplies for yard locomotives and for work-train service, be made upon the basis of the mileage of yard and work locomotives for the month preceding that in which the expense is incurred?

Answer. The distribution of each month's operating expenses shall be based upon the operation for that month.

CASE 51.

Query. On account of Road A owning no equipment, Road B supplies the necessary equipment and maintains and operates A's road. B charges A the cost of maintenance and operation, with exception of the maintenance of equipment and the cost of engine and train service. B receives all revenues and pays A agreed proportions of the revenues upon through traffic only. What is the correct accounting?

Answer. All revenue and expenses incident to the operation of A's road shall be included in B's accounts. All mileage statistics, including passenger, ton, train, car, locomotive, etc., shall be included in B's records and reports. The difference between the proportion of the revenue due to A and the proportion of operating expenses payable by A to B constitutes A's compensation for the use of its road and shall be charged by B to income account No. 542, "Rent for leased roads."

In case the result is a loss to A, the amount of the deficit shall be credited by B to account No. 542, "Rent for leased roads," and charged by A to account No. 509, "Income from lease of road." B shall include the cost of maintenance and operation in its primary operating expense accounts.

CASE 52.

Query. Road A operates its yard for the joint benefit of its own service and that of Road B. In an enginehouse at this point A's train locomotives, B's train locomotives, and the locomotives used in operating the joint yard are prepared. What is the correct accounting for the expense of preparing these locomotives in this enginehouse?

Answer. The expense of preparing the joint-yard locomotives shall be included by A in account No. 388, "Enginehouse expenses—Yard," and the amount of such expense chargeable to B shall be credited by A and charged by B to the appropriate account "Operating joint yards and terminals." A has the option of clearing the cost of preparing B's train locomotives through account No. 400, "Enginehouse expenses—Train," or of crediting the amount of such cost to its payroll and material accounts. A shall charge the cost of preparing its train locomotives to account No. 400, "Enginehouse expenses—Train," and B shall include in the same account the cost of preparing its train locomotives.

CASE 53.

Query. Road A cleans Road B's cars and supplies them with oil and gas for lighting, and with water, ice, and coal, and with oil and waste for lubrication, upon the basis of the actual cost of the labor and supplies. What is the proper accounting by each company for these expenses?

Answer. A shall distribute these expenses from its labor and material accounts directly against B. B shall charge its proportion of the expenses to the appropriate operating expense primary accounts other than joint facility accounts. (See Case 161.)

CASE 54.

Query. Road A operates one of its yards for the joint benefit of its own service and that of Road B. Each road furnishes its own coal, delivered in cars at this yard. The coal used by the locomotives at this point is handled through the coal bins owned by Road A, separate bins being provided for the coal used upon B's locomotives. The cost of operating this fuel station is apportioned by A between its own train service, B's train service, and the service of the joint yard (which is operated by A) upon the basis of quantity of coal supplied. The proportion charged to the joint yard is divided between the two railroads upon the basis used for division of other joint-yard expenses. How shall these fuel station expenses be treated in the accounts of the two companies?

Answer. A shall include the entire cost of the operation of the fuel station in an appropriate clearing account and shall clear such expenses through the following charges. The proportion of the cost of handling fuel for B's train locomotives shall be charged directly to B. The proportion of the cost of handling fuel assignable to A's train locomotive service shall be charged by A to account No. 394, "Fuel for train locomotives." The proportion of the cost of handling the fuel assignable to the joint-yard service shall be charged by A to account No. 382, "Fuel for yard locomotives." B shall charge the cost of handling the fuel for its train locomotives to account No. 394, "Fuel for train locomotives." A shall credit and B shall charge the appropriate accounts for operating joint yards and terminals, with B's proportion of the cost of handling the fuel used in the joint-yard service.

CASE 55.

Query. The contract between Road B and Road A under which B uses the terminals of A at Y provides for the furnishing from A's storehouse of certain materials and supplies (including materials and supplies for locomotive and train use) for use in the operation of B's line south of Y. A's storehouse is not included in the schedule as a joint structure. How shall the charges covering the materials and supplies be treated in the accounts?

Answer. The amounts charged B for materials and supplies shall be credited by A to the material and supplies account and charged by B to the appropriate primary expense accounts other than joint facility accounts.

CASE 56.

Query. A carrier operates two freight houses at a terminal and furnishes all the facilities and labor for handling merchandise shipments for tenant lines. It charges them for this service a rate per ton. To what account shall be credited the amounts collected?

Answer. The portion of the charges representing maintenance and operation shall be credited to the appropriate joint facility accounts in Operating Expenses; that portion representing payments for the use of capital and for taxes shall be credited to income account No. 508, "Joint facility rent income." (See Case 28.)

CASE 57.

Query. When is a road under construction required to commence keeping accounts for operating revenues and operating expenses?

Answer. Accounts of operating revenues and operating expenses shall be kept as soon as the road begins the operation of transportation service trains.

CASE 58.

Query. A carrier participates in the operation of a through dining-car line, the equipment of which is owned by another carrier. How shall its proportion of loss be handled?

Answer. Each carrier shall include its proportion of the revenues in account No. 131, "Dining and buffet," and its proportion of the expenses in the appropriate operating expense primary accounts other than joint facility accounts. The operating carrier shall credit the rents of equipment to account No. 505, "Rent from passenger-train cars," and the participating carrier shall charge them to account No. 538, "Rent for passenger-train cars."

CASE 59.

Query. In 1906 a carrier acquired and charged to equipment account a box car costing \$640. This car was destroyed in 1910 upon a foreign line. The trucks were repaired and returned. The value of these trucks was \$175. The carrier rendered bill against the foreign line for \$344, this being the value under Master Car Builders' Association rules of the body of the car at the time it was destroyed. The carrier had charged \$60 to Operating Expenses and credited the same amount to balance-sheet account No. 776, "Accrued depreciation—Equipment," to cover depreciation of the car from July 1, 1907, to the date of its retirement. The depreciation accruing previous to July 1, 1907, amounted to \$20. What entries are necessary for a proper accounting for the retirement of this car?

Answer. The text of road and equipment general account II, Equipment, quite fully describes the proper accounting for equipment retired. The following statement of this particular case, in journal entry form, may prove an additional aid in determining the correct accounting:

No. 776, "Accrued depreciation—Equipment" (an amount equal to the amount previously credited thereto with respect to this car).....	\$60
No. 715, "Miscellaneous accounts receivable" (amount charged foreign line).....	344
No. 716, "Material and supplies" (value of trucks).....	175
No. 619, "Loss on retired road and equipment" (depreciation to July 1, 1907).....	20
No. 316, "Freight-train cars—Retirements".....	41
No. 53, "Freight-train cars" (cost of car).....	\$640

CASE 60.

Query. To what account shall be charged the cost of options upon lands for terminals and approaches of a bridge, the plans for construction of which were postponed?

Answer. The amount paid for options on property which it was proposed to use in the construction of terminal and bridge-approach improvements shall be carried in a suspense account until the proper disposition has been finally determined. If, later, the plan is definitely abandoned, and the amount expended is lost, the loss sustained shall be charged to Profit and Loss.

CASE 61.

Query. To what account shall freight charges over the line owning tracks be credited when they are added to the cost of maintenance material charged against joint users of the tracks?

To what account shall be credited percentage added to joint-track bills for superintendence and store expenses?

Answer. Amounts included in joint facility bills representing freight charges shall be credited to revenue account No. 101, "Freight," and amounts representing superintendence and store expenses shall be credited by the operating company to Over-

ating Expenses through the joint facility accounts. It is not intended that minor profits from percentages added to such bills shall be credited to the revenue accounts. (See Cases 25 and 79.)

CASE 62.

Query. A bridge was damaged by a wreck. Although it was possible to repair the bridge where it stood, the railroad management considered it economy to remove the bridge to the shops for repairs. Pending the repairs, a temporary pile structure was installed. To what account shall the cost of the temporary bridge be charged?

Answer. The cost (less salvage) of the temporary bridge shall be charged to expense account No. 208, "Bridges, trestles, and culverts."

CASE 63.

Query. Road B is responsible for the damage done by one of its locomotives to Road A's interlocking plant. This plant is a joint facility of the two railroads. In what account shall B include the expense of repairs?

Answer. The expense of such repairs shall be included in expense account No. 416, "Damage to property."

CASE 64.

Query. To what account shall be charged the pay of timekeepers engaged in construction work, and the cost of tents, bunks, and materials used by them?

Answer. Such expenditures shall be distributed to the cost of the specific work to which the timekeepers are assigned.

CASE 65.

Query. Two houses on carrier's right of way are occupied by roadway employees, rent free. Is it proper to credit an amount representing a fair rent for the houses to revenue account No. 142, "Rents of buildings and other property," and debit the repairs to expense account No. 229, "Roadway buildings"?

Answer. It is not intended that amounts which do not represent revenue actually earned shall be credited to the revenue accounts; neither is it intended that amounts which do not represent actual expenses shall be charged to the expense accounts. No credit shall be made to the revenue accounts for rent of houses on right of way occupied by employees, rent free. The cost of repairing the houses is a proper charge to expense account No. 229, "Roadway buildings."

CASE 66.

Query. Shall the distribution of extraordinary expenses for injuries to persons and damage to property, the result of casualties in connection with the operation of joint facilities, be made through the joint facility accounts or through the other primary accounts?

Answer. All such expenses incurred in the operation of joint facilities, in which the parties to the contracts for such operation jointly participate, shall be handled through the appropriate joint facility accounts. (See Cases 42 and 132.)

CASE 67.

Query. To what accounts shall bills be distributed when rendered against other companies for their proportions of wages of crossing flagmen stationed where there are no towers or gates?

Answer. If the crossing flagmen are employed at road crossings where the tracks of two or more companies are parallel and there are no tracks used jointly, the proportions billed against other companies shall be credited by the billing road to expense account No. 405, "Crossing protection," and taken up in the same account by the paying road. If, on the contrary, the flagmen are located at street or road crossings i

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To what account shall be credited percentage added to joint-track bills for superintendence and store expenses?

Answer. Amounts included in joint facility bills representing freight charges shall be credited to revenue account No. 101, "Freight," and amounts representing superintendence and store expenses shall be credited by the operating company to Oper-

ating Expenses through the joint facility accounts. It is not intended that minor profits from percentages added to such bills shall be credited to the revenue accounts. (See Cases 25 and 79.)

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Answer. It is not intended that amounts which do not represent revenue actually earned shall be credited to the revenue accounts; neither is it intended that amounts which do not represent actual expenses shall be charged to the expense accounts. No credit shall be made to the revenue accounts for rent of houses on right of way occupied by employees, rent free. The cost of repairing the houses is a proper charge to expense account No. 229, "Roadway buildings."

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Answer. All such expenses incurred in the operation of joint facilities, in which the parties to the contracts for such operation jointly participate, shall be handled through the appropriate joint facility accounts. (See Cases 42 and 132.)

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Answer. If the crossing flagmen are employed at road crossings where the tracks of two or more companies are parallel and there are no tracks used jointly, the proportions billed against other companies shall be credited by the billing road to expense account No. 406, "Crossing protection," and taken up in the same account by the paying road. If, on the contrary, the flagmen are located at street or road crossings in joint

nals," and if on joint tracks outside of yards, in the account "Operating joint tracks and facilities."

CASE 68.

Query. Road B runs its trains for a distance over Road A's tracks, paying a fixed rent per year for the privilege. These trains are operated by B's crews. Which road shall report the train-miles of B's trains while on A's tracks?

Answer. B shall include in its statistics the train-miles, car-miles, etc., for its trains operated on A's tracks.

CASE 69.

Query. In April, 1902, a carrier completed a spur track, the cost of which was charged to Operating Expenses. The larger part of the material used was second-hand. In December, 1908, the track was taken up and not replaced. In view of the fact that the cost of the track was included in operating expenses, shall not the salvage, if any, be charged to a material account and surplus credited with a similar amount?

Answer. The salvage shall be charged to a material account and Profit and Loss credited with a similar amount. Expenses incident to the retirement of the track shall be charged to Profit and Loss.

CASE 70.

Query. To what account shall a railroad credit rent received from a telephone company for joint use of its trolley poles?

Answer. Such rent shall be included in revenue account No. 142, "Rents of buildings and other property."

CASE 71.

Query. To what accounts shall a carrier credit the value of scrap which recently has been gathered and sold, and charge the cost of gathering same for sale? This scrap has been scattered along the road for years, and it is now impossible to say to what equipment or structures it originally belonged. It has never been carried in any material account.

Answer. The receipts from the sale of this scrap, less the cost of assorting it, shall be credited to material accounts and cleared from these accounts to Operating Expenses. The cost of gathering the scrap shall be charged to expense account No. 202, "Roadway maintenance."

CASE 72.

Query. At various terminals on a section of Road A's line, which is jointly operated with Road B, switching locomotives are furnished by B. How shall the compensation for the use of these locomotives, which includes rent and the cost of repairs, be accounted for?

Answer. The proportion of compensation which covers the cost of repairs to and depreciation of the locomotives shall be cleared through accounts "Maintaining joint equipment at terminals." The remainder, representing return on capital invested in the locomotives, shall be credited by B and charged by A to the appropriate locomotive rent accounts in Income.

CASE 73.

Query. Road A loans a locomotive and three coaches to Road B for excursion service, and charges B for trackage and wages of employees delivering the equipment. How shall these charges be treated?

Answer. The charge for trackage shall be credited to account No. 143, "Miscellaneous." The charge for wages of employees shall be credited to the pay roll account to which the wages of employees have been charged. The carrier has the option of clearing the wages through the appropriate operating expense accounts. (See Case 174.)

CASE 74.

Query. May the adjustment of material accounts to the basis of inventories be deferred to a period subsequent to the year in which the inventories are taken?

Answer. Such adjustments shall be made in the accounts of the year in which the inventories are taken. (See Case 2.)

CASE 75.

Query. A company handles logs and ores extensively and to get this freight is obliged to build temporary tracks into the woods and to the mines. Is it permissible, instead of charging the entire cost of these tracks to the road and equipment accounts, to charge the material, such as rails, angle bars, and switches, to these accounts, and to include in Operating Expenses the cost of the ties, bolts, and grading? In this way the irrecoverable portion of these tracks is disposed of during the time revenue from them is being received and not after the revenue is all in.

Answer. The entire first cost of the sidings and spur tracks shall be charged to the road and equipment accounts. The classifications permit the carrier to include the depreciation upon these tracks in operating expenses during the period they are in use.

CASE 76.

Query. How may a carrier make adjustment of the differences, due to insufficient charges for depreciation, between the value of equipment as carried in its property account and the actual value of the equipment as ascertained by an inventory appraisal?

Answer. If a carrier's equipment accounts prior to July 1, 1907 (the effective date of the depreciation accounts in Operating Expenses) show insufficient charges for depreciation, and a carrier elects to make an adjustment so that the property account Equipment shall in fact reflect the cost of equipment in service and the depreciation accounts reflect the full amount of depreciation accrued on such equipment from the beginning of its life, such adjustment for depreciation prior to July 1, 1907, shall be made through Profit and Loss.

Advice as to the proper disposition of differences due to insufficient charges for depreciation after July 1, 1907, will be given by the Commission upon receipt of particulars of such discrepancies.

CASE 77.

Query. Road B, as agent for Road A, furnishes the necessary equipment and operates passenger trains a distance over Road A's tracks. A pays B a rate per train-mile for the service and receives all local revenue and proportion of revenue for through traffic in trains while on these tracks. What is the proper accounting for these revenues and expenses?

Answer. Road A shall credit the revenue of the trains to the primary revenue accounts under Transportation and shall report all passenger and mileage statistics of the trains.

The amount paid for the train service shall be divided, upon a basis agreed to between the two roads, into two parts; one part, representing the rent of the equipment, shall be included by each road in the appropriate equipment rent accounts in Income, the other part, representing the expenses of operation, shall be charged by A under general accounts Maintenance of Equipment and Transportation to the primary accounts other than joint facility accounts, and shall be credited by B to the same accounts.

CASE 78.

Query. A railroad is constructed at a cost equal to the amount realized from the proceeds of a bond issue. Capital stock is issued gratuitously to stockholders. What entries shall be made in the balance sheet accounts on account of the issue of this stock?

Answer. The par value of the stock issued shall be credited to account No. 751, "Capital stock," and shall be debited to accounts covering discount and premium on capital stock. The cost of road and equipment as stated in the property investment accounts shall be their actual net cost in cash.

CASE 79.

Query. A carrier realized a profit of \$2,000 in one month upon coal which it furnished, under a temporary arrangement, to another carrier. If this profit is credited as provided in Case 25, it will unduly distort its operating expenses. In what account shall the profit be included?

Answer. Case 25 has reference to small profits arising from work done or supplies furnished under conditions which make it difficult to separate costs and profits.

In the case mentioned, the profit arising shall be credited to revenue account No. 143, "Miscellaneous." In arriving at the profit, proper allowance shall be made to cover transportation charges. (*See Cases 25 and 61.*)

CASE 80.

Query. A road sells notes because the money market does not warrant the sale of bonds, which are deposited as collateral for the notes. Is it permissible to spread the discount on the notes over the life of the bonds, treating the sale and retirement of both notes and bonds as one transaction?

Answer. The sale and retirement of the notes shall be separately accounted for, and the discount suffered shall be treated as provided in account No. 547, "Interest on unfunded debt," if the notes are for a term not exceeding one year. If for a longer term, the discount shall be included in account No. 725, "Discount on funded debt" and extinguished during the life of the notes.

CASE 81.

Query. To what account shall be charged a contribution to cover the deficit of a "Chautauqua"? This contribution was guaranteed for the purpose of securing traffic.

Answer. The amount shall be charged to account No. 353, "Advertising."

CASE 82.

Query. A bridge company owns, maintains, operates, and pays the taxes upon a bridge over which a single railroad, in consideration of a fixed annual rent, enjoys the right to operate its trains. In what accounts shall this rent be included?

Answer. The bridge company shall credit the rent to income account No. 509, "Income from lease of road"; shall charge the cost of maintaining and operating the bridge to the same account; and shall charge the taxes to account No. 532, "Railway tax accruals."

The railroad shall charge the proportion of the rent representing the expenses of maintenance and operation to the appropriate operating expense primary accounts, and the remainder to income account No. 542, "Rent for leased roads." As this is the only railroad operating trains over the bridge, it is not a joint facility.

CASE 83.

Query. County scrip, which will be accepted at face value in payment of taxes, is purchased at a discount. How shall it be carried in the balance sheet, and in what accounts shall the profit be included when the scrip is used?

Answer. The scrip shall be carried at cost. When it is used in the payment of taxes the profit shall be credited to profit and loss account No. 607, "Miscellaneous credits."

CASE 84.

Query. At certain points on the border freight-train cars are held by the custom-house authorities a considerable length of time. Is the per diem accrued during the detention of the cars chargeable to equipment rent account or to transportation expense account No. 411, "Other expenses"?

Answer. The per diem charges assessed in accordance with the per diem rules of the carrier shall be charged to income account "Hire of freight cars."

CASE 85.

Query. To what account shall be charged the expense of cleaning the exterior of sleeping and dining cars?

Answer. The cost of exterior cleaning of such cars shall be charged to expense account No. 402, "Train supplies and expenses."

CASE 86.

Query. Through error a duplicate refund was made of an overcharge, and the amount was determined to be irrecoverable. To what account shall be charged the duplicate refund?

Answer. The amount of the duplicate refund, when discovered, shall be credited to the account previously charged, and when found to be irrecoverable shall be charged to account No. 533, "Uncollectible railway revenues." This case shall not be construed to relieve the carrier from its responsibility for collecting and retaining the lawfully established charges.

CASE 87.

Query. To what account shall be credited amounts received from anonymous sources which are ordinarily designated as "Conscience money"?

Answer. Unless the remittances indicate that the payments are assignable to the revenue, expense, or income accounts, such payments shall be credited to account No. 607, "Miscellaneous credits."

CASE 88.

Query. To what account shall be charged witness fees in a suit for damages growing out of the false arrest of a person suspected of setting fire to a shop building of a carrier; also, to what account shall be charged the judgment, if any, secured in such a suit?

Answer. Both fees and judgment shall be charged to expense account No. 277, "Other expenses."

CASE 89.

Query. Recently a carrier's shops and some equipment were burned. After deducting insurance there remains a loss on both shops and equipment. Is it proper to charge the loss on the building to Profit and Loss?

Answer. The cost of the shops shall be credited to the appropriate road and equipment accounts. If it is intended to replace the burned property, its cost, less insurance and depreciation accrued, if any, and salvage recovered, shall be charged to the appropriate operating expense accounts. If the shops are not to be rebuilt, the cost, less insurance and depreciation accrued, if any, and salvage recovered, shall be charged to profit and loss account No. 619, "Loss on retired road and equipment." The loss on equipment shall be handled in accordance with the provisions in the text of road and equipment general account II, Equipment.

CASE 90.

Query. To what account shall be charged penalties paid to public authorities for violation of the 28-hour stock law?

Answer. They shall be charged to profit and loss account No. 621, "Miscellaneous debits." (See Cases 37 and 38.)

CASE 91.

Query. A carrier frequently pays charges for cleaning its ice houses. Shall the expense be charged to "Train supplies and expenses," or shall it be divided between that account and "Station employees"?

Answer. The cost of cleaning ice houses is considered a part of the cost of storing. It shall be added to the cost of the ice and, with the latter, apportioned to the accounts to which the ice is charged.

CASE 92.

Query. Railway A rents a portion of its tracks to Railway C at a flat rate per annum, the amount of which is credited to rent, maintenance, and operation. This track is a part of that operated jointly by A and B. Under the contract for the joint operation, B is entitled to its proportion of the amounts received by A from C. What is the proper distribution of the amount paid by A to B as its share of the amounts collected from C?

Answer. The amount paid by C to A shall be divided into two parts; one representing maintenance and operation; the other, rent. The first part shall be credited by A to its appropriate joint facility operating expense accounts and the other to the joint facility rent account under Income. The proportion of these credits which is allowed in settlement with B shall be deducted from B's proportion of the charge for rent, maintenance, and operation of the whole joint facility, and the remainder, which is collected from B, shall be credited by A to its appropriate joint facility operating expense accounts and joint facility rent account under Income.

CASE 93.

Query. There is a connecting line between the tracks of the A company and those of the B company, each company owning the one-half of the track next to its own line. The two companies alternate in performing the interchange switching over this track in periods of six months, rendering bills alternately for proportions of service performed. How shall the payments be charged and credited?

Answer. It is assumed that the bills for the service performed cover the cost of switching service only. The amounts of such charges shall be included in the appropriate operating expense primary accounts other than joint facility accounts. If the charges for hire of equipment are included in these bills, such charges shall be included by both companies in the appropriate equipment rent account in Income.

CASE 94.

Query. A carrier has a joint facility arrangement with another carrier which does not report to the Commission. Shall it handle through its joint facility accounts the amounts received for the use of these facilities?

Answer. It shall. Amounts received from a carrier, whether it reports to the Commission or not, for the joint use of property operated by a carrier reporting to the Commission, shall be divided by the operating carrier into two parts. One, representing the cost of maintenance and operation, shall be credited by the operating carrier to the joint facility expense accounts affected; the other shall be credited to income account No. 508, "Joint facility rent income." In case the facilities used jointly are of minor importance, and the amounts received for the use of them are small, the credits shall be to revenue account No. 142, "Rents of buildings and other property."

CASE 95.

Query. A terminal company has a contract with four railroads which jointly own its capital stock, under which it handles all freight and passenger business over its terminals for these companies. These railroads reimburse the terminal company for all expenses of operation, interest on the bonds, and other fixed charges of the terminal company and, in addition, pay a small percentage on first-mortgage bonds to be used as a sinking fund for retiring the bonds. How shall these various payments be treated in the terminal company's accounts?

Answer. The switching or terminal company shall include the expenses of operation in its primary expense accounts and shall credit the charges pertaining to the joint benefit service to the appropriate joint facility expense accounts. It shall include the interest on bonds, other fixed charges, and contributions to its sinking fund in income account No. 508, "Joint facility rent income."

CASE 96.

Query. A locomotive assigned to yard switching service is taken to the shops a number of miles distant for repairs and is relieved by a locomotive from the shops. To what account shall be charged the expense of running the relief locomotive from the shops to the point where it is to be put in service? How shall the mileage of the locomotives be classified?

Answer. The expenses shall be charged to the proper yard accounts under Transportation—Rail line. The mileage of the locomotives shall be classed as yard switching locomotive-miles.

CASE 97.

Query. A and B are 10 miles apart, and the freight destined to B passes through A. The freight trains are divided in the yard at A, and through freight destined to B is taken to B by a transfer crew. The line between A and B is a part of the carrier's main line. Shall the service of the transfer crew between these points be considered train service or yard service?

Answer. It shall be considered train service and the expenses and the statistics of train-miles, locomotive-miles, car-miles, etc., shall be treated accordingly. (See Case 7.)

CASE 98.

Query. To what account shall a carrier charge commissions paid to brokers for the purchase of the securities of other companies?

Answer. The amount of such commissions shall be considered as a part of the cost of the securities purchased.

CASE 99.

Query. A carrier obtains a franchise which permits it to operate with steam motive power within the limits of a city for a period of 20 years. To what account shall the cost of this franchise be charged?

Answer. The cost shall be included in a convenient suspense account under balance-sheet account No. 727, "Other unadjusted debits," and amortized during the life of the franchise through equal annual charges to income account No. 551, "Miscellaneous income charges."

CASE 100.

Query. In the construction of undergrade and overhead highway crossings a carrier purchases sufficient land for slopes outside of its right of way instead of building retaining walls. To what account shall the cost of this land be charged?

Answer. It shall be charged to road and equipment account No. 2, "Land for transportation purposes." (See Case 186.)

CASE 101.

Query. In connection with the construction of an extension to its line a carrier relocates a short section of an electric road's tracks for the purpose of avoiding grade crossings. To what account shall the cost of the work be charged?

Answer. It shall be charged to road and equipment account No. 2, "Land for transportation purposes."

CASE 102.

Query. A carrier sells to another carrier an undivided third interest in a part of its line. How shall the proceeds of the sale be credited?

Answer. One-third of the ledger cost of the line shall be credited to the primary road and equipment accounts to which the property had previously been charged. The difference between the total amount thus credited and the amount received for the proportion sold shall be included in Profit and Loss.

CASE 103.

Query. A carrier company sells a part of its line. To what account shall be credited a lump sum received for the property?

Answer. The primary road and equipment accounts shall be credited with amounts equal to the net amounts previously charged thereto with respect to the property sold. The difference between the total amount thus credited and the amount received shall be included in Profit and Loss.

CASE 104.

Query. Real estate purchased in the names of individuals is used by a carrier as right of way and for other operating purposes. How shall its cost be accounted for?

Answer. Under the assumption that the individuals in whose names the property has been purchased are in fact the agents of the carrier, the cost of the real estate shall be included in the carrier's property investment accounts.

CASE 105.

Query. On account of its line crossing a stream at a point on a section line a railroad purchases land for the purpose of constructing a county road at one side of the section line at this point, thus permitting separate bridges to be built for use of the railroad and the highway. The title of the land purchased is conveyed to the county, while the county surrenders its title to that portion of the land upon which the railway is constructed and which was originally occupied by the highway. To what account shall the cost of the land be charged?

Answer. It shall be charged to road and equipment account No. 2, "Land for transportation purposes."

CASE 106.

Query. To what account shall be credited amounts collected from contractors as penalties for failure to complete the construction of a portion of a line at a specified time?

Answer. Such forfeiture shall be considered as an abatement in the cost of the work covered in the contract and shall be credited to the account to which the cost of the work is charged.

CASE 107.

Query. To what account shall the cost of the equipment of cabooses with telephones be charged; also the cost of repairs of these instruments? They are for use in case of accident or trouble upon the line.

Answer. The cost of the installation as an initial equipment shall be charged to road and equipment account No. 26, "Telegraph and telephone lines," and the cost of maintenance to expense account No. 247, "Telegraph and telephone lines."

CASE 108.

Query. In the construction of new freight cars some second-hand material is used. At what prices shall this material be included in the cost of the new equipment?

Answer. The prices of the second-hand material shall be determined by deducting fair allowances for depreciation from the current prices of the material as new.

CASE 109.

Query. Under the provisions of the forfeiture clause in a lease a carrier secured title to a building which had been erected by the lessee upon the carrier's property at a cost of \$3,000. At the time of the foreclosure the lessee owed \$300 for rent. Shall the charges to the carrier's property account to cover the building be based upon the original cost or upon the amount of the rent due?

Answer. The charge to the property account shall be based upon the actual cost of the property to the carrier.

CASE 110.

Query. A wrecking crane, which was being used in removing old piles in connection with the repairs and additions and betterments to a wharf, fell through the wharf. The engineer of the crane was injured. To what account shall be charged the payments on account of these injuries?

Answer. The accident having occurred in connection with the removal of the old structure as a preliminary to the construction of improved wharf facilities, the payments shall be charged to expense account No. 274, "Injuries to persons."

CASE 111.

Query. In connection with the application of an improved device to equipment, to what account shall be charged the cost of removing the old and of applying the new device?

Answer. The cost of removing the old and of applying the new device shall be charged to the appropriate repair account.

CASE 112.

Query. To what account shall be charged the cost of a motor applied to a locomotive turntable?

Answer. The cost shall be charged to road and equipment account No. 20, "Shops and enginehouses." The cost of the motor removed, if any, shall be credited to the same account.

CASE 113.

Query. In the division of through passenger rates between Road A and Road B, Road B was allowed an arbitrary per passenger for ferry service at its terminal. Subsequently the ferry service was extended and improved, and Road B was then allowed, in addition to the arbitrary, a stated amount per year, irrespective of the number of passengers. To what accounts shall the additional payments be debited and credited by A and B, respectively?

Answer. They shall be debited and credited to the accounts to which the payments based upon the arbitrary per passenger are debited and credited.

CASE 114.

Query. A terminal railway company has no station agents, its station service being performed by the superintendent of transportation and his clerks. To what account shall the pay of these employees while thus engaged be charged?

Answer. To expense account No. 373, "Station employees."

CASE 115.

Query. At a joint terminal the lading of cars is transferred on account of the cars being in bad order. The cost of the work is charged against the road responsible for the condition of the cars. In what account shall be included the amount of such charges?

Answer. It shall be charged to expense account No. 373, "Station employees." Under the conditions stated this is not a joint facility expense.

CASE 116.

Query. A railroad which does not permit its own equipment to leave its rails receives freight cars from one connection on a per diem basis and from another upon a demurrage basis. Shall the amounts paid as demurrage be charged as hire of equipment?

Answer. They shall be so charged.

CASE 117.

Query. The fuel used by a carrier is transported upon the basis of through rates from mines located upon a foreign line. To what account shall be credited the carrier's proportion of the through rate on this material?

Answer. If the freight charges on the fuel upon the basis of through rate are charged to the carrier's fuel account, the carrier's proportion of the freight charges shall be credited to the same account.

CASE 118.

Query. A large part of the freight-car equipment used by a carrier in its operations is held under a lease from the industrial owner. To what account shall be charged amounts paid to the owner of the equipment? These payments represent rent and depreciation.

Answer. The rent shall be charged to income account, "Hire of freight cars," and the depreciation charged to expense account No. 315, "Freight-train cars—Depreciation."

CASE 119.

Query. A dining-car waiter left his car when a stop was made on account of a crossing accident. In attempting to reenter the train he fell and was injured. Shall the expenses on account of such injuries be included in the accounts for rail operations, or in those for miscellaneous operations?

Answer. They shall be charged to rail operating expense account No. 420, "Injuries to persons." (See Case 19.)

CASE 120.

Query. To what account shall be charged a carrier's expenses on account of associations of transportation and car accounting officers?

Answer. They shall be charged to the accounts which are charged with the salaries of the officers who represent the carrier as members of the associations.

CASE 121.

Query. To what account shall be charged the cost of running a special train for the purpose of promoting industries along a carrier's lines?

Answer. It shall be charged to expense account No. 356, "Industrial and immigration bureaus."

CASE 122.

Query. Is it permissible to charge to expense account No. 372, "Dispatching trains," a portion of the salaries of telegraph operators who are located in towers and who incidentally receive and deliver train orders?

Answer. It is not. No charges shall be made to this account for incidental services in receiving and delivering train orders.

CASE 123.

Query. Is it proper to credit income account "Hire of freight cars," and to charge Operating Expenses upon a per diem basis for the rent of cars used in transporting company fuel used for operating purposes?

Answer. No charges shall be made to Operating Expenses for the rent of cars used in transporting company fuel.

CASE 124.

Query. The fuel used by a carrier in its operations is delivered to its line by schooner. At the point of delivery it is unloaded into bins. From these bins it is loaded and transferred to other bins along the line and as needed is removed to coal chutes. Is the cost of the coal delivered to the line properly considered the cost of the fuel, or shall the cost of handling and transporting over the carrier's line be included?

Answer. The cost of the fuel shall include its cost delivered to the carrier plus the handling (loading and unloading) expenses up to and including delivery at the chutes. No charges for transportation over the carrier's own line shall be included.

CASE 125.

Query. To what account shall be charged the expenses connected with gathering and replacing on the tracks freight equipment wrecked by an extensive flood caused by the bursting of an industrial company's dam?

Answer. They shall be charged to expense account No. 415, "Clearing wrecks."

CASE 126.

Query. To what account shall be charged the expenses of the cold storage of freight which can not be delivered at the time it is unloaded?

Answer. The carrier's expenses on account of such storage shall be charged to expense account No. 376, "Station supplies and expenses."

CASE 127.

Query. An agent received a summons garnishing the wages of an employee. On account of delay incident to notifying the legal department the employee succeeded in drawing his pay. The carrier was obliged to make good the amount of the claim. To what account shall the loss be charged?

Answer. The loss shall be charged to expense account No. 460, "Other expenses."

CASE 128.

Query. To what account shall be charged the cost of foundry patterns?

Answer. It shall be charged to the accounts to which is chargeable the cost of the castings manufactured from the patterns.

CASE 129.

Query. A storehouse containing maintenance-of-equipment material is destroyed by fire. To what account shall be charged the loss of the material?

Answer. If the net loss is relatively small, it shall be distributed to the accounts to which the material would have been charged had the fire not occurred. If the loss is so large that its inclusion in the maintenance-of-equipment accounts would impair the significance of the statistics prepared from such accounts, the loss shall be included in account No. 621, "Miscellaneous debits."

CASE 130.

Query. A carrier pays the salaries of the employees and all other expenses of a joint outside ticket agency, and charges each tenant company for a proportion of these expenses, based upon the ticket sales. In what accounts shall these charges be included?

Answer. Carriers have the option, according to their convenience in accounting, of crediting the proportions of the expenses of joint traffic offices charged to other carriers directly to their pay roll and voucher accounts, or of including all charges on account of service in the primary operating expense accounts and crediting foreign lines' proportions to the same accounts. Joint traffic expenses are usually readily assignable to the primary accounts, and joint facility traffic accounts are therefore deemed to be unnecessary.

CASE 131.

Query. To what account shall be charged the cost of twist drills, taps, dies, etc., used in general machine work, when for the replacement of worn-out tools?

Answer. If such articles are for use as appurtenances of power machine tools, their cost shall be charged to expense account No. 302, "Shop machinery." If they are for use as hand tool equipment, they shall be charged to clearing account "Shop expenses."

CASE 132.

Query. The equipment used for the operation of a joint terminal is damaged, one of the carriers using the terminal being responsible for the repairs as the damage occurred through the fault of its employees. How shall the terminal company, which makes the repairs, clear the cost of the work in its accounts?

Answer. The cost shall be credited directly to the payroll and material accounts, or cleared through the appropriate primary accounts for repairs of equipment. This is not a joint facility item. (See Cases 42 and 66.)

CASE 133.

Query. To what account shall be charged the cost of oil used in lubricating air-brake cylinders on cars?

Answer. It shall be charged to expense account No. 402, "Train supplies and expenses."

CASE 134.

Query. To what account shall be charged the cost of preparing and recording an agreement with another carrier covering trackage rights?

Answer. Specific fees paid to attorneys for such services shall be charged to expense account No. 454, "Law expenses." It is not intended that charges shall be made to this account for the incidental services of officers whose pay is regularly chargeable to other accounts.

CASE 135.

Query. Locomotives are leased to a lumber company, the lessor furnishing fuel and other supplies for the locomotives and the lessee paying a lump sum for the supplies and for use of the equipment. To what account shall be credited the amounts received?

Answer. They shall be equitably apportioned between account No. 504, "Rent from locomotives," and the accounts originally charged with the cost of the supplies. (See section 2 of the general instructions for the Classification of Income, Profit and Loss, and General Balance Sheet Accounts.)

CASE 136.

Query. When land is rented in connection with addition and betterment projects, pending an actual purchase of the property, is the amount of such rent properly chargeable to the cost of additions and betterments? To what account shall be credited rents received from subtenants of such property?

Answer. Provided the primary object in the renting of property is to facilitate the addition and betterment work and the property is actually purchased for addition and betterment purposes, the rents paid shall be included in the road and equipment accounts, and the rents received credited to the same accounts.

CASE 137.

Query. The coupons on certain equipment-trust obligations contain a stipulation that if not paid on date of maturity the coupons shall bear interest from that date. To what account shall the interest on the coupons be charged?

Answer. It shall be charged to income account No. 547, "Interest on unfunded debt."

CASE 138.

Query. The expenses of a State railway commission are borne by the railways, the apportionment among them being based partly on net earnings and partly on mileage. To what accounts shall be charged a carrier's proportion of such expenses?

Answer. It shall be charged to income account No. 532, "Railway tax accruals."

CASE 139.

Query. A company acquires the exclusive use of tracks for a term of 10 years, paying a fixed rate per car and in addition advancing funds to the lessor for the construction of spur tracks, which are the property of the lessor. It is provided that in case of the termination of the lease before the completion of the full term, the lessor will refund to the lessee the amount advanced, less 10 per cent per annum from the date of the lease. What is the proper accounting for the advances for construction?

Answer. The lessee shall carry the advances in account No. 706, "Investments in affiliated companies," or in account No. 722, "Other deferred assets," as may be appropriate, charging one-tenth of the sum to Income each year as rents paid for lease of track. The lessor shall correspondingly credit the advances to account No. 757, "Nonnegotiable debt to affiliated companies," or to account No. 770, "Other deferred liabilities," as may be appropriate, crediting one-tenth of the sum to Income each year as rents received.

CASE 140.

Query. In what account shall be included a carrier's investment in tableware and tables, silverware, linen, and kitchen utensils in dining cars?

Answer. In account No. 54, "Passenger-train cars." (See Case 164.)

CASE 141.

Query. What is the correct accounting for the cost of adding, calculating, and typewriting machines purchased by a road during its construction period?

Answer. The cost when purchased shall be charged to account No. 74, "Stationery and printing," and if the machines are retained for use during the operating period the residual value of the property shall be credited to this account and charged to the property accounts to which is chargeable the cost of the buildings of the class in which the machines are used.

CASE 142.

Query. To what account shall be charged a carrier's investment in an experimental farm which is conducted for the purpose of increasing traffic?

Answer. The cost of lands shall be charged to account No. 2, "Land for transportation purposes," and cost of buildings to account No. 35, "Miscellaneous structures."

CASE 143.

Query. A carrier includes in the price of material sold by it the tariff charges for transportation over its line. To what account shall these charges be credited?

Answer. To account No. 101, "Freight."

CASE 144.

Query. To what account shall be credited the revenue derived from the transportation of packages, articles, etc., other than milk, on passenger trains?

Answer. If the rates charged for the transportation service are applicable only when the property is transported incident to transportation of passengers and the weight of the property is included in the determination of excess weight of baggage over free allowance, the credit shall be to account No. 103, "Excess baggage." Otherwise the revenue shall be credited to account No. 101, "Freight," if based upon freight tariffs, and to account No. 108, "Other passenger-train," when on other bases.

CASE 145.

Query. In what account shall be included the pay and traveling, office, and other expenses of officers, claim adjusters, clerks, and attendants who constitute the organizations for the handling of claim matters, including personal injury, loss and damage, overcharge, live stock, and damage to property claims?

Answer. These expenses shall be charged to accounts Nos. 451, 452, 453, or 458, as may be appropriate.

CASE 146.

Query. A carrier operates regularly over its line a train for the transportation of passengers. It receives for the transportation of through passengers a rate per train-mile from connecting lines. It concurs in the tariffs under which through passengers are transported, but does not share in the prorate of the revenue therefrom. What is the proper accounting for the amount thus received from the connecting lines?

Answer. The carrier shall include the statistics for such transportation in its own accounts, and shall credit the amount received to revenue account No. 102, "Passenger." The connecting lines shall correspondingly charge their respective proportions of the payments to the same account.

CASE 147.

Query. To what account shall be credited the revenue derived from the weighing of cars at tariff rates? The service performed is principally switching service. The expense of recording the weights of the cars is relatively small.

Answer. To account No. 143, "Miscellaneous."

CASE 148.

Query. When lighterage service is provided for under the tariff rate under which freight moves over the carrier's rail line, shall any revenue from the lighterage be credited to the water-transfer revenue accounts?

Answer. No. The revenue accounts for water transfers are intended to include merely revenue upon the basis of tariff rates covering only water-transfer service.

CASE 149.

Query. A carrier leases a part of the railroad which it operates. To what account shall be credited the rent received for the exclusive use of a dwelling house located upon the right of way of the leased line?

Answer. To account No. 510, "Miscellaneous rent income."

CASE 150.

Query. A carrier rents a part of its terminal station for use as a warehouse and furnishes electrical power for use of the tenant. To what account should be credited the compensation received?

Answer. If the compensation received is not based on distinct charges for rent of the facility and for the power furnished, and the quantity of power furnished is relatively small, the credit shall be to account No. 142, "Rents of buildings and other property." Only the proportion assignable as rent otherwise shall be credited in this account and the remainder shall be credited to account No. 141, "Power."

CASE 151.

Query. A carrier operates restaurant, billiard and pool, bathing, and barber service for the benefit of its employees. In what accounts shall the revenues and the expenses of the service be included?

Answer. The revenues shall be included in account No. 132, "Hotel and restaurant," and the expenses in account No. 442, "Hotels and restaurants."

CASE 152.

Query. To what account shall be credited the revenue derived under specific tariff rates for heating cars containing vegetable shipments?

Answer. To account No. 143, "Miscellaneous."

CASE 153.

Query. In what accounts shall be included the revenues and expenses of stock pens at stations, maintained for the feeding, watering, and resting of stock in transit, as required by law?

Answer. The revenue shall be credited to account No. 143, "Miscellaneous"; the expenses of maintenance shall be charged to account No. 227, "Station and office buildings"; and the expenses of operation shall be charged as may be appropriate to account No. 373, "Station employees," or to account No. 378, "Station supplies and expenses."

CASE 154.

Query. To what account shall be credited the revenue, derived under specific tariff rates, from transferring freight from narrow to standard gauge cars?

Answer. To account No. 143, "Miscellaneous."

CASE 155.

Query. What is the correct accounting for the revenues and expenses of coal wharves used for transferring coal from cars to boats, the revenue being derived from operations such as lifting coal from vessels, placing coal in cars, placing coal on wharves for storage and later loading into cars, and from charges for storage on wharves? This revenue is based upon specific charges. The service is not provided for in the tariff rates for the transportation of coal.

Answer. The revenue derived from storage shall be included in account No. 135, "Storage—Freight," and the remainder shall be included in account No. 143, "Miscellaneous." The cost of maintaining the wharves shall be included in account No. 243, "Coal and ore wharves," and the expense of operating them shall be included in account No. 375, "Coal and ore wharves."

CASE 156.

Query. A steam railroad company operates a street car line. What is the correct accounting for the revenues and expenses of the service?

Answer. The revenues from transportation service shall be included in the appropriate primary accounts under general account I, Transportation—Rail Line; the incidental revenue in the primary accounts under general account III, Incidental.

The expenses of operation shall be included in the appropriate primary accounts under general accounts I, Maintenance of Way and Structures; II, Maintenance of Equipment; III, Traffic; IV, Transportation—Rail Line; and VII, General.

If the carrier desires to determine the revenues and expenses of the specific operation, subprimary accounts may be set up in accordance with the order promulgating the Classification of Operating Revenues and Operating Expenses.

CASE 157.

Query. To what account shall be charged the cost of repainting switch stands and repairing bumping posts?

Answer. To account No. 216, "Other track material."

CASE 158.

Query. Road A maintains and operates a water station. Water is supplied from this station to A's train locomotives and to the train locomotives of Road B. B operates jointly with A a portion of A's tracks, and reimburses A upon a train-mile basis for a portion of the cost of maintaining and operating the water station. What is the correct accounting for the expenses of maintaining and operating this station?

Answer. A shall charge the entire cost of maintenance to account No. 231, "Water stations." The portion of the maintenance expenses borne by B shall be included in the accounts for maintaining joint tracks, yards, and other facilities. Each road shall charge its proportion of the expenses of operating the station to account No. 397, "Water for train locomotives." A has the option of including the total expense of operation in a clearing account or of clearing B's proportion of the expenses of operation through account No. 397, "Water for train locomotives."

CASE 159.

Query. To what account shall be charged expenses on account of personal injuries which a storehouse employee suffered while engaged in unloading a carload of lumber?

Answer. In case the lumber which was being unloaded was for maintenance of way and structures, the expense shall be charged to account No. 274, "Injuries to persons"; if for maintenance of equipment, the charge shall be to account No. 332, "Injuries to persons"; if for temporary grain doors, dunnage boards, sugar strips, etc., charge to account No. 420, "Injuries to persons."

CASE 160.

Query. To what account shall be charged insurance premiums and taxes on storehouse material stock?

Answer. Premiums for insuring maintenance-of-way material stock shall be included in account No. 275, "Insurance," and those for maintenance-of-equipment material stock to account No. 333, "Insurance." In case the premiums are for insuring general store material stock which is designed both for maintenance of way and structures and for maintenance of equipment the premium shall be equitably apportioned between the above-mentioned accounts. Taxes upon store material stock shall be included in account No. 532, "Railway tax accruals."

CASE 161.

Query. To what accounts shall be credited amounts received by a carrier for cleaning and oiling the passenger cars of a tenant company?

Answer. To the accounts to which were originally charged the cost of the labor expended and the material consumed in the work. (*See Case 53.*)

CASE 162.

Query. The amount received by a carrier in settlement under Master Car Builders' Association rules for one of its cars which was destroyed upon a foreign line was in excess of the original cost of the car. To what account shall the profit be credited?

Answer. To the appropriate equipment retirement account.

CASE 163.

Query. To what account shall be charged the wages of timekeepers who keep the time of shop employees and make up shop pay rolls and miscellaneous statements in connection therewith?

Answer. To account No. 301, "Superintendence."

CASE 164.

Query. To what account shall be charged the cost of repairs and renewals of tableware, silverware, linen, and kitchen utensils in dining cars?

Answer. To account No. 317, "Passenger-train cars—Repairs." (*See Case 140.*)

CASE 165.

Query. When ice, water, fuel, and lubricating material are supplied to sleeping cars which operate over a carrier's line and the cost of the material is borne by the carrier, to what account shall be charged the expense?

Answer. To account No. 402, "Train supplies and expenses."

CASE 166.

Query. To what account shall be charged a station agent's shortage in excess of the surety bond?

Answer. To account No. 411, "Other expenses."

CASE 167.

Query. It is provided in account No. 388, "Enginehouse expenses—Yard," that in this account shall be included the expense of calling yard enginemen. Shall the expense of calling train enginemen be included in account No. 400, "Enginehouse expenses—Train"?

Answer. It shall be so included.

CASE 168.

Query. In what account shall be included the cost of renewing equipment such as tableware, table linen, kitchen utensils, and bedding, and cost of repairing furniture in hotels and restaurants the revenue from which is includible in account No. 132, "Hotel and restaurant"?

Answer. Such expenses shall be considered, as heretofore, running expenses, and shall be charged to account No. 442, "Hotels and restaurants."

CASE 169.

Query. To what accounts shall be charged plaintiff's court costs and also the carrier's own court costs in connection with personal injury cases, when such expenses are borne by the carrier?

Answer. The plaintiff's court costs shall be charged to the appropriate accounts for injuries to persons. The carrier's court costs shall be charged to account No. 454,

CASE 170.

Query. To what account shall be charged fees to physicians for the physical examination of (a) employees, and (b) applicants for employment?

Answer. (a) To the account to which the pay of the employee is chargeable, except when otherwise provided; (b) to the account to which the pay of the applicant would be chargeable if employed, except when otherwise provided.

CASE 171.

Query. When such costs are borne by the carriers, to what account shall be charged the cost of internal-revenue stamps required under the act entitled "An act to increase the internal revenue and for other purposes," approved on October 22, 1914?

Answer. The cost of such stamps for use in connection with operation shall be considered as taxes. When required in connection with construction projects, the cost shall be appropriately included in the road and equipment accounts. If in connection with the issuance of evidences of debt, it shall be accounted for as debt expense.

CASE 172.

Query. When equipment-trust certificates which mature serially are sold in one lot at a flat discount rate upon their entire par value, how shall the discount be amortized?

Answer. The discount and expense shall be amortized through charges to Income, in such manner that the ratio between the amortization charges and the principal of the equipment-trust certificates outstanding will be uniform for all fiscal periods.

For example: A company issues five equipment-trust certificates, one certificate maturing each year. The debt discount and expense is \$450. The distribution of the discount and expense should be as follows:

First year, principal outstanding \$5,000...	amortization charge (rate 3 per cent)	\$150
Second year, principal outstanding \$4,000...	amortization charge (rate 3 per cent)	120
Third year, principal outstanding \$3,000...	amortization charge (rate 3 per cent)	90
Fourth year, principal outstanding \$2,000...	amortization charge (rate 3 per cent)	60
Fifth year, principal outstanding \$1,000...	amortization charge (rate 3 per cent)	30

CASE 173.

Query. To what account shall be charged special assessments for construction and maintenance of sewers adjacent to property the cost of which is includible in balance-sheet account No. 705, "Miscellaneous physical property"?

Answer. Assessments for the construction of such sewers shall be included in account No. 705, "Miscellaneous physical property," and those for maintenance in account No. 534, "Expenses of miscellaneous operations," provided the property is operated by the carrier; otherwise to account No. 511, "Miscellaneous nonoperating physical property."

CASE 174.

Query. A carrier borrowed equipment from a foreign line. To what account shall it charge amounts which it pays the foreign line for transporting the equipment to its line?

Answer. To the appropriate income account "Rent for equipment." (See Case 75.)

CASE 175.

Query. To what account shall be charged the rent paid for work equipment used by a carrier in maintenance of way and structures?

Answer. To account No. 540, "Rent for work equipment." Rents paid or received for work or other equipment used in operation are income items. (See section 2 of the general instructions for the Classification of Income, Profit and Loss, and General Balance Sheet Accounts.)

CASE 176.

Query. Under the condition that the expenses of maintaining equipment are borne jointly by all users of a joint terminal, how shall a carrier account for amounts received in reimbursement of taxes upon equipment used in the operation of the terminal?

Answer. When the taxes are separable from other taxes the amount received in reimbursement therefor shall be credited by the operating company to the appropriate account for rent from equipment. In case they are inseparable, the credit shall be to account No. 508, "Joint facility rent income." Correspondingly the debtor company shall charge these amounts to the appropriate account for rent for equipment or to account No. 541, "Joint facility rents," as may be appropriate.

CASE 177.

Query. When a carrier's funds are expended for construction purposes and interest charges are made to Road and Equipment under the provisions of account No. 76, "Interest during construction," to what accounts shall such interest be credited?

Answer. To account No. 515, "Income from unfunded securities and accounts."

CASE 178.

Query. A carrier's fiscal year ends on December 31. In the early part of the calendar year the carrier issues short-term notes at a discount. How shall such discount be accounted for?

Answer. The carrier's accounts shall be kept in such manner that in its annual report to the Commission the discount assignable to the period before July 1 shall be charged to income account No. 547, "Interest on unfunded debt." The amount thus assignable may be, at the carrier's option, either the entire discount or an amount proportionate to the life of the notes up to July 1.

CASE 179.

Query. To what account shall be charged interest paid on deferred taxes?

Answer. To account No. 547, "Interest on unfunded debt."

CASE 180.

Query. The capital stock of a terminal company is owned in equal proportions by the tenant companies which jointly use the terminal. The net income of the terminal company each year is distributed equally between the tenant lines. What is the correct accounting for the amounts thus distributed?

Answer. Under the conditions stated the division of this income is in substance the issue of a dividend upon stocks owned by the proprietary companies, and shall be charged by the terminal company to account No. 553, "Dividend appropriations of income."

CASE 181.

Query. Under the terms of a contract for purchase of equipment the carrier is required to deposit with the trustees all amounts collected from insurance companies on trust equipment destroyed by fire, such amounts to be held by them until the property is replaced. In what account shall these deposits be carried?

Answer. The character of the deposits indicates the propriety of their inclusion in the group of balance-sheet accounts designated as "Investments." Such deposits shall therefore be charged to account No. 704, "Deposits in lieu of mortgaged property sold."

CASE 182.

Query. Are the provisions of account No. 726, "Property abandoned chargeable to operating expenses," applicable in the accounting for amounts chargeable to Operating Expenses in connection with the retirement of equipment?

CASE 183.

Query. What is the correct accounting for a carrier's investment in a spur track to an industry when the cost of ties in and grading for the tracks is borne by the industry?

Answer. If constructed upon the property of the carrier, the entire cost of the tracks shall be included in the carrier's road and equipment accounts, and the cost of the ties and grading assumed by the industry shall be included in account No. 778, "Other unadjusted credits," or in account No. 606, "Donations," as may be appropriate. Amounts thus credited to account No. 606, "Donations," shall correspondingly be charged to account No. 615, "Surplus appropriated for investment in physical property," and concurrently credited to account No. 779, "Additions to property through income and surplus."

If constructed upon the land of the industry, only the portion of the cost which is borne by the carrier shall be included in its road and equipment accounts. (*See paragraph 11, section 2, in the general instructions for road and equipment accounts.*)

CASE 184.

Query. Under the provisions of paragraph 8, section 1, of the special instructions for the classification of operating revenues, for convenience in accounting is it permissible for a carrier to include revenue overcharges, when discovered, in the agency accounts, and to clear the unrefunded items to account No. 778, "Other unadjusted credits."

Answer. Overcharges may be temporarily carried in the agency accounts, provided they are transferred to account No. 778, "Other unadjusted credits," if unrefunded at the end of 60 days.

CASE 185.

Query. To what account shall be charged the cost of ties used in the construction of pit cattle guards?

Answer. If crossties directly supporting the rails, the charge shall be to account No. 8, "Ties." Otherwise the charge shall be to account No. 13, "Right-of-way fences."

CASE 186.

Query. In connection with the elimination of grade crossings a carrier purchases land immediately outside its right of way to provide slopes in a highway. How shall the cost of this land be accounted for—

- (a) When the carrier retains title to the land, and
- (b) When the carrier relinquishes the title to the land to the municipality?

Answer. The cost shall be charged—

- (a) To account No. 2, "Land for transportation purposes."
- (b) To account No. 15, "Crossings and signs." (*See Case 100.*)

CASE 187.

Query. To prevent another railroad from crossing its tracks at grade a carrier contributes an amount toward the cost of constructing the crossing of the other railroad above the grade of its own tracks. To what account shall be charged the amount of this contribution?

Answer. The amount of the contribution shall be charged by the carrier to account No. 15, "Crossings and signs."

CASE 188.

Query. To what account shall be charged the cost of a gasoline storage plant consisting of a storage tank and pump? The gasoline is for use in motor cars.

Answer. To account No. 20, "Shops and enginehouses."

CASE 189.

Query. To what account shall be charged the cost of a water pipe line constructed from shop water-supply system to passenger-car yards, for conveying water for car cleaning and for filling water tanks in passenger cars?

Answer. To account No. 20, "Shops and enginehouses."

CASE 190.

Query. In what accounts shall be classed a carrier's investment in railway material storehouses?

Answer. If the storehouses are located at shops and are devoted to the storage of material for maintenance of way and structures and for maintenance of equipment, the investment shall be included in account No. 20, "Shops and enginehouses." If not thus located, when devoted to the storage of material for maintenance of way and structures the investment shall be included in account No. 17, "Roadway buildings"; and when devoted to the storage of material and supplies for general purposes the investment shall be included in account No. 35, "Miscellaneous structures." If located at division or line terminal stations and devoted to the storage of station and train supplies the investment shall be included in account No. 16, "Station and office buildings."

CASE 191.

Query. A carrier purchases a number of section motor cars to replace handcars. Handcars are not included in its property investment accounts. To what account shall the motor cars be charged?

Answer. To account No. 37, "Roadway machines."

CASE 192.

Query. To what account shall be charged the cost of a ditching machine which is ordinarily operated while temporarily mounted upon a flat car?

Answer. To account No. 37, "Roadway machines."

CASE 193.

Query. To what account shall be charged the initial equipment of locomotives and cabooses with wrecking frogs when their installation is under a general plan?

Answer. To account No. 51, "Steam locomotives," and No. 53, "Freight-train cars," respectively.

CASE 194.

Query. To what account shall be charged the cost of medical services rendered for an employee injured while engaged in the construction of a new road?

Answer. To the account chargeable with the cost of the work in connection with which the employee was injured.

CASE 195.

Query. To what account shall be charged the cost of a law library installed by an operating carrier?

Answer. To account No. 16, "Station and office buildings."

CASE 196.

Query. To what account shall be charged amounts paid to trust companies for the registration and transfer of capital stock?

Answer. Payments in connection with the issue of capital stock are provided for in account No. 71, "Organization expenses." Payments in connection with the transfer of capital stock shall be included in account No. 460 "Other expenses."

CASE 197.

Query. What should be the accounting, under the provisions of Conference Ruling No. 87, for tariff charges for transportation over the carrier's own line of kitchen utensils, food, and other supplies for hotels and restaurants which serve the general public, the revenue from which is creditable to account No. 132, "Hotel and restaurant."

Answer. The revenue from such charges shall be credited to the revenue account appropriate for the service, and concurrently charged to expense account No. 442, "Hotels and restaurants."

CASE 198.

Query. Road A purchases fuel supply coal f. o. b. mines, which are located on Road B. B charges \$1.10 per ton for transporting the coal to A's line, absorbing a charge of \$2 per car for interchange switching service rendered by A. The mining company prepays B's freight charges and includes them in a specific charge against A. How shall A account for these freight charges?

Answer. A shall include in the cost of the coal the freight charges, less the switching charges absorbed. The switching charges shall be charged to account No. 110, "Switching."

CASE 199.

Query. One of a carrier's terminals is jointly operated for the benefit of its own business and that of a connecting line. Shall the amounts charged the tenant company for rent of locomotives used in the operation of the joint terminal be considered as a joint facility item and included by the lessor in account No. 508, "Joint facility rent income," or shall the item be considered as a hire of equipment item, and included in account No. 504, "Rent from locomotives"?

Answer. It shall be included in account No. 504, "Rent from locomotives."

CASE 200.

Query. How shall be classified the train-miles of a gasoline-electric motor combination freight and passenger car which transports passengers and less-than-carload freight?

Answer. In account No. 803, "Mixed-train miles."

CASE 201.

Query. A carrier owns a piece of real estate, the cost of which is included in account No. 705, "Miscellaneous physical property." The right to remove sand and gravel from this property is leased. To what account shall the carrier credit the compensation received under the lease?

Answer. Such portion of the amount received as represents the depletion in the value of the property due to the removal of the sand and gravel shall be credited to the investment account, and the remainder shall be credited to income account No. 511, "Miscellaneous nonoperating physical property."

CASE 202.

Query. The accounting for small items of overcharges on freight shipments which are found to be unrefundable involves a considerable refinement in accounting. Is it permissible to carry these items in the revenue accounts until refund is actually made?

Answer. Revenue overcharges amounting to one dollar or less on any one shipment may be carried in the freight revenue accounts until refunded.

CASE 203.

Query. Under the effective classification, is it intended that the cost of repairs and renewals of switch lamps shall be included in account No. 389, "Yard supplies and expenses"?

Answer. It is the intent of the classification that only the cost of switch-lamp supplies, such as oil, wicks, etc., shall be included in this account. The cost of repairs and renewals of switch lamps is provided for in account No. 216, "Other track material."

CASE 204.

Query. What shall be the accounting for expenditures during construction for salaries of a traffic manager, a traffic superintendent, and for printing and compiling tariffs? These expenditures were made solely for the purpose and in advance of commercial operations, no commercial traffic of any kind having been transported during the period of construction.

Answer. Under the conditions set forth these expenditures shall be charged to a suspense account until the road begins operation, and shall then be cleared to the appropriate operating expense accounts.

CASE 205.

Query. Where grade crossings are eliminated through a joint arrangement between a carrier and Government, whereby the latter assumes a proportion of the cost, on what basis shall the carrier's charges to its property investment accounts be made?

Answer. The carrier shall include in its property investment accounts its proportion only of the expenditure includible in the accounts of the Classification of Investment in Road and Equipment. Consideration shall be given to credits to property accounts resulting from abandonment of property in connection with the joint project.

CASE 206.

Query. What shall be the accounting for employers' liability insurance premiums assessed under State laws and based on a percentage of the wages paid employees engaged in construction work?

Answer. Such premiums shall be regarded as a labor cost, chargeable to the work to which the labor is assigned.

CASE 207.

Query. Shall a proportion of the salaries and expenses of a construction engineer and his office force when engaged on maintenance work be charged to operating expenses?

Answer. When the services rendered by such officers and employees are merely incidental, no charge shall be made to operating expenses.

When members of a construction engineering force are specifically assigned or devote a material portion of their time to maintenance work, or an engineer in charge of maintenance and members of his force are specifically assigned or devote a material portion of their time to construction or work on additions and betterments, their salaries and expenses while so engaged shall be charged to the accounts appropriate to the work upon which they have been engaged or to which they have been specifically assigned. (See Cases 10 and 22.)

CASE 208.

Query. What account is chargeable with the cost of land outside the carrier's right of way, upon which is erected a storage warehouse includible in account No. 22, "Storage warehouses"?

Answer. The cost of the land shall be charged to account No. 2, "Land for transportation purposes."

CASE 209.

Query. In order to avoid the expense of eliminating grade crossings a carrier contributed a sum of money to relocate a short section of a turnpike which crosses its line several times. The turnpike as originally located will continue to be used for the accommodation of parties who otherwise would be shut off from access to the turnpike. To what account shall the carrier charge this contribution?

Answer. To road and equipment account No. 2, "Land for transportation purposes."

CASE 210.

Query. In order to secure a right of way to a new bridge a carrier removed another company's transmission line to another location. To what account shall this expense be charged?

Answer. To account No. 2, "Land for transportation purposes."

CASE 211.

Query. A carrier purchased right of way through a certain tract under an agreement with the owner of the property that within two years from the date of its franchise the carrier would substitute electricity for steam in the operation of its road. This substitution was found impracticable and a certain amount was paid the former owner of the land as a release from all damages claimed for violation of the conditions of purchase. To what account shall this payment be charged?

Answer. This payment shall be regarded as additional cost of the land and shall be charged to account No. 2, "Land for transportation purposes."

CASE 212.

Query. In the course of construction Road A has occasion to cross the tracks of Road B. The tracks of the latter company are slightly higher than the proposed grade of the former and it is finally decided to construct the crossing at grade. Road A agrees to lower the grade of Road B, to relay and reballast its tracks and reconstruct a highway crossing which lies entirely upon the property of Road B. The entire expense of the work is borne by Road A and included in its property investment account. What primary accounts shall be charged with the cost of the work?

Answer. The entire cost of the work shall be included in account No. 2, "Land for transportation purposes," as a part of the cost of acquiring the right of way.

CASE 213.

Query. A local improvement association issued a note in payment for land which it donated to a railway company for a building site. The site was donated upon condition that the company would erect shops thereon. Not being able to undertake the construction of the shops immediately upon the donation

of the land, the carrier has agreed to pay the interest on the note until such time as construction is actually commenced. To what account shall such interest be charged?

Answer. The amount of interest paid shall be carried in a suspense account until the final disposition has been determined upon. If the condition under which the donation was made is fulfilled, interest payments shall be charged to road and equipment account No. 2, "Land for transportation purposes." If the conditions are not fulfilled and the plan is abandoned, the amount of interest shall be transferred to profit and loss account No. 621, "Miscellaneous debits."

Until the actual fulfillment of all the conditions, the land should not be considered as a donation, but the value of the property shall be debited and credited to appropriate suspense accounts included respectively in balance sheet accounts No. 727, "Other unadjusted debits," and No. 778, "Other unadjusted credits."

CASE 214.

Query. To what account shall be charged the cost of building towers to carry an electric power company's wires over the tracks of a carrier?

Answer. Their cost shall be charged to account No. 15, "Crossings and signs."

CASE 215.

Query. A carrier operating through a public street under its franchise is required to bear the expense of paving between its tracks, the paving including several highway crossings. What distinction shall be made in distributing the cost of the work between road and equipment accounts No. 15, "Crossings and signs," No. 36, "Paving," and No. 39, "Assessments for public improvements"?

Answer. As the cost of the work is borne by the carrier solely because of its occupancy of the street, the entire cost of the initial paving shall be included in account No. 36, "Paving." The paving at crossings in this connection is incidental and its cost shall not be separately accounted for.

CASE 216.

Query. To what accounts shall be charged expenditures incurred in installing racks to support tanks containing hydrocarbon for snow-melting purposes, and in building a railing at a switch stand on a steep embankment for the protection of trainmen?

Answer. When these racks are installed primarily in connection with the removal of snow from station platforms or station grounds their cost shall be charged to road and equipment account No. 16, "Station and office buildings"; if installed primarily in connection with the removal of snow from tracks or switches, to road and equipment account No. 17, "Roadway buildings." Cost of building railing at a switch stand should be charged to road and equipment account No. 85, "Miscellaneous structures."

CASE 217.

Query. To what account under the Classification of Investment in Road and Equipment shall be charged the cost of a building used for storage of supplies for both roadway and equipment maintenance purposes and the expenditures for furniture and fixtures necessary to equip it for such use?

Answer. If the use of the building for either one of the two purposes greatly predominates and renders insignificant its use for the other purpose, the cost of the building and the furniture and fixtures necessary to equip it for use shall be charged to account No. 17, "Roadway buildings," or account No. 20, "Shops and enginehouses," as indicated by the principal use mentioned. If not used for either purpose to the predominant extent referred to, the cost of the building and furniture and fixtures necessary to equip it shall be charged to account No. 35, "Miscellaneous structures." (See Case 190.)

CASE 218.

Query. To what account shall a carrier charge the cost of its installation of a tie-treating plant?

Answer. To account No. 17, "Roadway buildings."

CASE 219.

Query. A carrier maintains and operates a number of battery-charging plants installed in distinct buildings at various terminals and enginehouses for the purpose of charging storage batteries placed on locomotives to provide current for electric headlights. To what account shall the investment in these plants be charged and how shall the expenses of maintenance and operation be classified?

Answer. The investment in this property shall be charged to accounts No. 20, "Shops and enginehouses," and No. 44, "Shop machinery." The cost of maintaining the buildings shall be charged to account No. 235, "Shops and enginehouses," and of maintaining the boilers and machinery to account No. 302, "Shop machinery." The expense of operation shall be equitably apportioned between accounts No. 387, "Other supplies for yard locomotives," and No. 399, "Other supplies for train locomotives."

CASE 220.

Query. In what account shall be included the cost of constructing pipes which are used for conveying shavings from woodworking machines in shops to the point at which they are disposed of?

Answer. The cost of constructing such pipes shall be included in account No. 20, "Shops and enginehouses."

CASE 221.

Query. To what account shall be charged the cost of a building used for the production of oxy-acetylene gas, which is piped to various units comprising a shop layout?

Answer. The cost of the building shall be charged to investment in road and equipment under account No. 25, "Gas producing plants."

CASE 222.

Query. By the terms of an agreement between a railroad company and a telegraph company it is provided that the railroad company shall furnish the labor and the telegraph company the material required to construct, maintain, and operate a telegraph line along the railroad company's right of way. To what account shall be charged the railroad company's expenditures in connection with the construction of the telegraph line?

Answer. The railroad company's proportion of the cost of labor furnished to construct the original telegraph line shall be charged to road and equipment account No. 26, "Telegraph and telephone lines." (*See Case 223*).

CASE 223.

Query. To what account shall be charged the expenditures in connection with the installation of cross arms on poles owned by a telegraph company for the accommodation of the railway company's telephone lines? Under the agreement the entire cost of installation is borne by the railway company, but title to one-half of each cross arm installed is vested in the telegraph company.

Answer. As the entire expense of the installation is assumed by the railroad company, even though it acquires but one-half ownership in the cross arms, such expense shall be regarded as the railroad company's interest in the investment and charged to account No. 26, "Telegraph and telephone lines." In this connection, see the last paragraph of section 2 of the general instructions contained in the Classification of Investment in Road and Equipment, which provides that the carrier's proportion only of the cost of joint projects shall be included in the accounts of that classification. (*See Case 222*).

CASE 224.

Query. To what account shall be charged the cost of a well containing several pumps, the water from which is used solely in a power plant?

Answer. The cost of the well shall be charged to account No. 29, "Power plant buildings." The cost of the pumps shall be charged to account No. 45, "Power plant machinery."

CASE 225.

Query. To what account shall be charged the cost of installing lighting systems in switching yards?

Answer. The cost of overhead wires, insulators, and connections shall be charged to account No. 32, "Power distribution systems"; the items of construction enumerated in the text of account No. 33, "Power line poles and fixtures," shall be charged accordingly. The cost of electric lamps, globes, and reflectors, if they be used for lighting yards, shall be charged to account No. 35, "Miscellaneous structures." If they be used for lighting buildings, the cost shall be charged to the account represented by the building served.

CASE 226.

Query. To what account shall be charged underground conduits used for carrying electric light and power wires for general purposes not in connection with electric railway operations?

Answer. The cost of underground conduits in connection with power transmission and power distribution systems shall be included in account No. 34, "Underground conduits," whether the power conducted is for the propulsion of trains or for general purposes.

CASE 227.

Query. To what account shall be charged the cost of oak blocking and wedges for rerailing equipment?

Answer. The cost of first equipping work or other equipment with blocking and wedges for rerailing equipment shall be charged to the appropriate equipment accounts under investment in road and equipment.

The cost of renewals shall be charged to operating expense accounts Nos. 323, "Work equipment—Repairs," 387, "Other supplies for yard locomotives," 399, "Other supplies for train locomotives," or 402, "Train supplies and expenses," as indicated by the class of equipment supplied.

Wrecking frogs and wrecking wedges supplied to yards should be charged to operating expense account No. 389, "Yard supplies and expenses." (*See Case 193.*)

CASE 228.

Query. How may assessments chargeable to account No. 39, "Assessments for public improvements," be distinguished from those chargeable to account No. 532, "Railway tax accruals"?

Answer. Amounts chargeable to account No. 39, "Assessments for public improvements," are restricted to assessments which apply to defined areas within taxing districts and are based upon specific benefit to property from the construction of public improvements. Any proportion of the cost of such improvements which is included in the general tax levy for a regular taxing district shall be included in the appropriate tax account in Income.

CASE 229.

Query. To what account shall be charged an amount paid in the compromise of a suit filed jointly by a municipality and a paving company against a carrier for an assessment for paving a street adjacent to railway property? To what account shall be charged the court costs which were paid by the carrier?

Answer. The amount paid in the compromise of the suit shall be charged to account No. 39, "Assessments for public improvements." The court costs shall be charged to account No. 454, "Law expenses."

CASE 230.

Query. While a carrier's line was under construction it conducted commercial operations which made necessary certain expenditures for maintenance of track. To what account shall be charged this cost of maintenance?

Answer. When commercial operations are conducted over a line under construction the cost of track maintenance during the construction period shall be charged to account No. 40, "Revenues and operating expenses during construction."

CASE 231.

Query. To what account shall be charged the cost of portable buildings used in construction work?

Answer. The cost of such structures shall be charged to the construction work in connection with which the expenditure is incurred. If not thus assignable, their cost shall be charged to account No. 43, "Other expenditures—Road."

CASE 232.

Query. In what account shall be included a carrier's investment in apparatus for a testing laboratory?

Answer. The cost of the initial equipment of laboratory apparatus shall be included in account No. 44, "Shop machinery." The cost of repairs and renewals shall be included in account No. 302, "Shop machinery."

CASE 233.

Query. A carrier has purchased a considerable number of beet racks to be used on its cars during the beet shipping season. These racks are not for temporary use. They cost \$125 apiece, are substantial in structure, and form part of the company's permanent equipment, being stored between seasons. Shall their cost be charged to operating expense account No. 402, "Train supplies and expenses," or to road and equipment account No. 53, "Freight-train cars"?

Answer. As these racks are not of the type of temporary car fitting, but are permanent equipment, their cost shall be charged to account No. 53, "Freight-train cars," under a subaccount, if desired, and depreciated under rules applying to equipment.

CASE 234.

Query. To what account shall be charged investment in locomotives permanently withdrawn from commercial service and assigned to shop or storehouse switching service?

Answer. Investment in locomotives permanently withdrawn from commercial service and assigned to switching service at shops or storehouses shall be charged to account No. 57, "Work equipment."

CASE 235.

Query. To what accounts shall be charged the initial cost and the cost of maintaining motor cars used in "hump" yards for transporting car riders between different parts of the yards?

Answer. The initial cost of cars shall be charged to account No. 57, "Work equipment." The cost of maintenance shall be charged to account No. 328, "Work equipment—Repairs."

CASE 236.

Query. To what account shall be charged the cost of farm machinery and live stock for a demonstration farm operated by a carrier?

Answer. To account No. 58, "Miscellaneous equipment." (See Case 142.)

CASE 237.

Query. To what account shall be charged revenue overcharges previously written off through account No. 605, "Unrefundable overcharges," and later refunded.

Answer. To account No. 605, "Unrefundable overcharges."

CASE 238.

Query. What is the correct accounting for the cost of adding, calculating, and typewriting machines purchased—

(a) To replace equipment charged to property account;

(b) To replace similar equipment, the cost of which was originally charged to operating expenses; and

(c) As the initial equipment of a road in operation?

Answer. Such expenditures shall be charged as follows:

(a) To the stationery and printing accounts in Operating Expenses appropriate for the departments making use of the machines.

(b and c) To the road and equipment accounts to which is chargeable the cost of the buildings of the class in which the machines are used.

Charges to property investment as additions under the provisions of this case are conditioned on the understanding that a satisfactory register is maintained to enable the proper distinction to be made between additional equipment and renewals or replacements. (*See Case 141.*)

CASE 239.

Query. What disposition shall be made in a carrier's accounts of other carriers' proportions of overcharges assumed under the operation of the rules of the Freight Claim Association which establish a voucher minimum of \$1.

Answer. Proportions of overcharges due from foreign lines assumed in settlement of claims because less than the voucher minimum of \$1 shall be adjusted through the revenue accounts.

CASE 240.

Query. A carrier's baggage storage tariffs provide that charges shall be assessed at the rate of 25 cents for the second 24 hours or fraction thereof, and 10 cents for each succeeding 24 hours or fraction thereof. The laws of the different States governing the sale of unclaimed baggage provide that it shall not be disposed of in less than variously specified periods. In one State, for example, the period prescribed is three months. In actual practice, however, baggage is held for a year, resulting in storage accruals of from \$30 to \$40 on every piece. The proceeds from sales average \$1.50 a piece. Is it permissible to accrue storage revenue only for the time carrier is required by law to hold the baggage subject to claim?

Answer. Under the assumption that the retention of this baggage beyond the time the carrier is required by law to hold such property is for the convenience of the carrier only, there is no objection to discontinuing storage accruals after that date provided the baggage is actually sold as unclaimed.

CASE 241.

Query. A carrier has an arrangement with several electric railways that parallel its tracks for a considerable distance, whereby both passengers and freight originating at or destined to intermediate points that are common to both companies are received at or delivered to these points by the electric railways and the necessity avoided of stopping through trains or providing local trains for the accommodation of this traffic. The electric carriers concur in the tariffs upon which the transportation charges are assessed. In lieu of dividing the tariff rates with the electric railways to compensate them for the service they perform they are paid certain fixed monthly payments. To what account shall such payments be charged?

Answer. The amount of these payments to the electric railways may properly be considered as an ordinary division of the revenue and credited by the electric railways to appropriate revenue accounts. Correspondingly, the charges of the steam carrier shall be to its revenue accounts.

CASE 242.

Query. A carrier has in effect a traffic arrangement with certain connecting lines which provides that on competitive freight the switching line will receive a division of the through rate of approximately \$10 per car. This division of rate is separate from and in addition to the tariff switching charge. To what account shall such revenues be credited?

Answer. When the terminal service involves only a switching movement the revenue shall be credited by the terminal carrier to account No. 110, "Switching." When the terminal carrier performs a road service the entire amount received by it shall be credited to account No. 101, "Freight."

CASE 243.

Query. To what account shall be charged the pay of a car inspector who lubricates cars in addition to his other duties?

Answer. The pay of such an employee whose duties are specifically divided between inspection and lubrication of cars shall be apportioned, upon the basis of the time devoted, to the repair and lubrication accounts, but the pay of such an employee engaged in ordinary car inspection, whose service in lubricating cars is incidental to his regular duties, shall be included in the appropriate equipment repair account.

CASE 244.

Query. What shall be the accounting for amounts paid a terminal company for making and breaking up trains? The rates for this service are now in the terminal company's tariffs.

Answer. Amounts paid a terminal company for making and breaking up trains upon the basis of switching tariff rates shall be treated as a division of the revenue and charged to account No. 101, "Freight," account No. 102, "Passenger," or account No. 110, "Switching," as may be appropriate. When an empty car is moved otherwise than in connection with a loaded movement, the amount paid for switching shall be charged to account No. 411, "Other expenses." The revenue collected by the terminal company shall be credited to account No. 110, "Switching." (See Case 27.)

CASE 245.

Query. How shall revenue of a terminal line operating within a switching district and participating in the movement of through less-than-carload shipments from points on its line to points on connecting lines be classified? The service performed at a published tariff rate involves picking up, classifying, and reloading of less-than-carload shipments.

Answer. The revenue shall be included in revenue account No. 110, "Switching."

CASE 246.

Query. What is the correct accounting for revenue derived from the transportation in baggage cars of baby carriages, bicycles, dogs, etc., when the baggage tariff under which they are handled specifies that such articles will be checked and charges assessed at excess baggage rates for the gross weight of the articles transported? None of the articles form any part of the baggage allowance.

Answer. Such revenue shall be credited to account No. 108, "Other passenger-train." (See Case 144.)

CASE 247.

Query. To what account shall be charged the pay of electricians while engaged in trimming, cleaning, and adjusting arc lights in yards?

Answer. To account No. 377, "Yardmasters and yard clerks."

CASE 248.

Query. To what accounts shall be credited revenue received for the movement of a carnival company on the basis of specific amount for transportation

between two stations on a carrier's line, the cars of the carnival company being attached to a regular mixed train handling other passengers and freight?

Answer. Such amounts shall be equitably apportioned between account No. 108, "Other passenger-train," and account No. 112, "Other freight-train."

CASE 249.

Query. To what account shall be credited the amount collected from a lumber company, under the terms of a guaranty, by which the lumber company agreed to ship a certain amount of lumber during a specified period and is therefore obligated to pay a stated amount per thousand feet for the lumber it failed to ship?

Answer. The amount collected under the guaranty shall be credited to account No. 112, "Other freight-train."

CASE 250.

Query. Note A, applying to primary account No. 121, "Freight," under general account II, "Transportation—Water line," on page 19 of the classification for operating revenues of steam roads, provides that "Other carriers' proportions of revenue and of uncollectible undercharges paid by the carrier on account of errors in routing and billing shall be charged to operating expense account No. 432, 'Operation of terminals,'" while the text of account No. 433, "Incidental," under the subhead "Loss and Damage—Freight," requires that that account shall be charged with " * * * uncollectible freight charges paid other carriers on misrouted * * * shipments."

Is there not a conflict between these instructions?

Answer. The instructions in Note A under account No. 121, "Freight," shall be followed. The text of account No. 433, "Incidental," at the first favorable opportunity will be brought into harmony with the provisions of the note mentioned.

CASE 251.

Query. To what account shall be credited commissions received by a carrier through its station agents for selling accident insurance policies?

Answer. To account No. 133, "Station, train, and boat privileges."

CASE 252.

Query. To what account shall be credited amounts collected from passengers as penalties for loss of baggage checks?

Answer. Collections from passengers for lost baggage checks shall be credited to account No. 143, "Miscellaneous."

CASE 253.

Query. To what account shall a carrier credit amounts collected at the rate of \$1 per day for use of its tracks by a land company for the storage of a private car?

Answer. Amounts collected for the privilege of parking or storing private or chartered cars on a carrier's tracks shall be credited to account No. 143, "Miscellaneous."

CASE 254.

Query. To what account shall be credited amounts collected under a tariff provision to the effect that a stated charge shall be made for inspection of shipments of perishable freight not moving under refrigeration, the inspection being performed at various points between point of origin and destination for the purpose of ascertaining whether or not shipments are in proper condition to continue movement?

Answer. Under the conditions indicated, the amounts so collected shall be credited to account No. 143, "Miscellaneous."

CASE 255.

Query. In what account shall be included the proceeds derived from the sale of waste paper and old records?

Answer. The amount of such proceeds shall be credited to account No. 143, "Miscellaneous."

CASE 256.

Query. To what account shall be credited a carrier's revenue, on basis of tariff charges, for trimming coal cargoes transferred from cars to vessels belonging to outside parties? To what account shall the expense of this service be charged?

Answer. The revenue from trimming such coal cargoes shall be credited to account No. 143, "Miscellaneous." The expense of the service shall be charged to account No. 375, "Coal and ore wharves." (See Case 155.)

CASE 257.

Query. It frequently occurs that a joint facility is used in yard and terminal operations of one carrier and in other than yard or terminal operations by the other carrier. In accounting for settlements between carriers, covering the operation of joint facilities, is it permissible for each carrier to use the particular joint facility primary account under general account IV, "Transportation—Rail line," which is appropriate according to the use of the property?

Answer. This may be done.

CASE 258.

Query. To what account shall be credited an amount billed against a lessee company under a contract covering the use of joint facilities for the proportion of an assessment for public improvements?

Answer. The assessment paid upon property used jointly shall be charged by the owning company to the appropriate investment account, and the proportion paid by the user shall be charged by it to account No. 541, "Joint facility rents," a corresponding credit being made by the owner to account No. 508, "Joint facility rent income."

CASE 259.

Query. Roads A and B equally own a passenger station and the land on which located, the station being so situated that both roads use their own tracks for trains arriving or departing therefrom. The station is not a regular freight

or passenger terminal for either road. The station employees are carried on each road's pay rolls for 50 per cent of their salaries, but Road A furnishes all station supplies and charges B with 50 per cent of such expense. The expenses of the station supplies average about \$30 per month. To what account shall be charged expenditures by Road A for supplies furnished the station?

Answer. The proportion of the expense assumed by B shall be credited by A and charged by B to the appropriate joint facility operating expense accounts.

CASE 260.

Query. In what account shall be included the cost of compiling statistics for use in connection with rate cases (a) when they are prepared by a carrier's regularly employed accountants; (b) when such statistics are compiled by specifically retained statisticians and accountants?

Answer. The cost of compiling such statistics shall be included (a) in the account to which the employees' labor is ordinarily charged; (b) in the same accounts which would have been charged if the labor had been performed by the regular employees of the carrier. This also applies to the amounts paid as overtime to regularly employed office forces.

CASE 261.

Query. In the operations of a small carrier a locomotive regularly performs both train and yard service, the latter comprising switching at junctions and terminals and consisting of spotting cars at industrial and warehouse tracks, picking up empties at terminals, delivering cars to connecting carriers at interchange tracks, and making up trains. Upon what basis should a segregation be made in the accounts for train and yard service to cover wages of trainmen and enginemen, and the cost of fuel, water, lubricants, and other supplies? Should the amount of time devoted to each service be the determining factor? If so, what disposition shall be made of excess time at terminals waiting for schedule time of leaving?

Answer. The expenses of a road locomotive engaged in switching only incidentally or at way stations should be classified as road service. When a locomotive regularly combines train service with yard service at junction points and terminals where regular switching service is maintained and the basis of compensation varies according to class of service the wages of trainmen and enginemen shall be divided between train expenses and yard expenses upon basis of compensation allowed for each class of service. Where no distinction is made as to compensation the apportionment shall be upon the basis of time devoted to each class of service. The cost of fuel, water, and other supplies shall be divided according to the mileage of each class of service.

CASE 262.

Query. At various industries on a carrier's line, the carrier furnishes the locomotives and performs all switching on industry tracks for its own benefit and also for that of connecting lines. Bills are rendered against the other carriers on the basis of cost of the service performed. How shall the compensation be accounted for?

Answer. The proportion which covers the cost of repairs to and depreciation of locomotives shall be cleared through joint-facility accounts, "Maintaining joint equipment at terminals." The proportion covering wages of trainmen and enginemen and the cost of fuel, stores, and other supplies for locomotives

shall be cleared through joint-facility accounts, "Operating joint yards and terminals." Any allowance for the rent of locomotives shall be included in the appropriate locomotive rent accounts in Income.

CASE 263.

Query. To what account shall be charged the cost of initial application of oil to roadbed?

Answer. The cost of the initial and all subsequent applications of oil to roadbed shall be included in operating expense account No. 202, "Roadway maintenance."

CASE 264.

Query. In the text of operating expense account No. 202, "Roadway maintenance," under the subhead, "Care of roadbed," appears the item "constructing and cleaning tile ditches, open ditches, and drains." What is the nature of the construction referred to?

Answer. The item in question does not relate to permanent improvements, but is intended to apply to work of a temporary character in connection with maintenance.

CASE 265.

Query. To what account shall be charged the amount of a judgment rendered in behalf of a former employee in a suit against a carrier for personal injuries sustained while entering its general office building? This injury was alleged to have been caused by a defective step. The injured person was a station employee at the time of the accident, but was not acting in the discharge of his duties when it occurred.

Answer. The amount of the judgment shall be charged to account No. 480, "Other expenses."

CASE 266.

Query. To what account shall be charged the rent of a house used for storing track tools?

Answer. Account No. 277, "Other expenses."

CASE 267.

Query. To what account shall be charged the cost of disinfecting work equipment?

Answer. The cost of disinfecting cars used in work service shall be included in the accounts chargeable with the supplies consumed in connection with the operation of work trains and shall be included in the cost of the work to which the service pertains.

CASE 268.

Query. How shall a carrier account for the cost of repairs to locomotives used as work equipment?

Answer. All repairs to locomotives whether assigned to transportation service or work service, to the extent that the repairs were occasioned by the use of such equipment in maintenance work, shall be charged to account No. 828, "Work equipment—Repairs." The apportionment of repairs to locomotives used both in transportation and maintenance service shall be upon an equitable basis.

CASE 269.

Query. Due to an error on the part of a station employee, an item of customs charges amounting to \$50 was omitted from billing and is now found to be uncollectible. To what account shall this amount be charged?

Answer. To account No. 411, "Other expenses."

CASE 270.

Query. To what account shall be charged amounts paid to claimants in settlement of losses occasioned by errors of a company's operators in transmitting commercial messages, the telegraph line being owned and operated by the railroad company?

Answer. To account No. 411, "Other expenses."

CASE 271.

Query. To what account shall be charged payments for parcels lost while in the possession of a carrier's check room?

Answer. To account No. 419, "Loss and damage—Baggage," or No. 433, "Incidental," as may be appropriate.

CASE 272.

Query. To what account shall be charged the pay of telegraph operators located in general offices who render services to all departments having offices in the general office building?

Answer. To account No. 452, "Salaries and expenses of clerks and attendants."

CASE 273.

Query. To what account shall be charged amounts paid in settlement of injuries to persons occurring in connection with the operation of a pay-car train?

Answer. To account No. 460, "Other expenses."

CASE 274.

Query. A carrier has arranged for the payment of wages or salaries to employees who are members of the National Guard and have enlisted in the military service of the United States. How shall such allowances be charged during the period of enlistment?

Answer. Expenditures for the purposes stated shall be charged to account No. 460, "Other expenses."

CASE 275.

Query. To what account shall be credited rentals received from other companies for the use of roadway machines loaned to them?

Answer. If the roadway machines in question are permanently mounted for movement on carriers' tracks, the rentals shall be credited to account No. 507, "Rent from work equipment"; if not so mounted, rentals shall be credited to account No. 510, "Miscellaneous rent income."

CASE 276.

Query. To what account shall be credited rentals received by a carrier (a) for the use of portions of its right of way for cultivation purposes, (b) for use of a part of its right of way for a pole line of a telephone company?

Answer. On the assumption that there is no expense for maintenance of the property so used the rentals shall be credited to account No. 510, "Miscellaneous rent income."

CASE 277.

Query. To what account shall be credited fees charged for exchanging coupon bonds for registered bonds?

Answer. Fees collected by a carrier in connection with the exchange of coupon bonds for registered bonds shall be credited to account No. 519, "Miscellaneous income." (See Case 284.)

CASE 278.

Query. To what account shall be charged amounts assessed against carriers by a State for the maintenance of the office of State inspector of automatic couplers, air brakes, and automatic brakes? These assessments are collected from all carriers subject to the tax.

Answer. Such expenditures shall be charged to account No. 532, "Railway tax accruals." (See Case 138.)

CASE 279.

Query. To what account shall be charged a company's proportion of taxes paid by another carrier on buildings which are jointly owned and jointly used by both companies?

Answer. The proportion of taxes billed against the contributing carrier shall be charged by it to account No. 532, "Railway tax accruals."

CASE 280.

Query. A carrier is allowed a discount for the prompt payment of its taxes. To what account shall this discount be credited?

Answer. The accounting rules contemplate that the net amount of taxes paid shall be included in income accounts No. 532, "Railway tax accruals," No. 535, "Taxes on miscellaneous operating property," and No. 544, "Miscellaneous tax accruals." The discount realized, therefore, shall be credited to the account to which the taxes are chargeable. (See Case 179.)

CASE 281.

Query. A special tax was levied by a county to aid a carrier in the electrification and extension of its line. The carrier contributed its share of this special tax. To what account shall be credited the proceeds of the special tax received from the county? To what account shall the carrier charge its proportion of the special tax?

Answer. The total amount received by the carrier from the county as the proceeds of this special tax, being the amount expendable for electrification and extension, shall be credited to account No. 754, "Grants in aid of construction." The carrier's proportion of the tax shall be charged to income account No. 532, "Railway tax accruals."

CASE 282.

Query. To what account shall be charged uncollectible car demurrage charges? The debtor company has become bankrupt, and very little, if any, of the amount due for demurrage will ever be collected.

Answer. Any items accrued under tariffs and creditable to revenue accounts Nos. 101 to 143, inclusive, when uncollectible, shall be charged to account No. 533, "Uncollectible railway revenue."

CASE 283.

Query. In a personal injury case a carrier has a judgment rendered against it in a trial court, but takes an appeal from the verdict to a higher court, in which the judgment is affirmed. Interest from the date of the judgment in the lower court was paid at the time of final settlement. To what account shall the interest be charged?

Answer. The interest shall be charged to account No. 547, "Interest on unfunded debt."

CASE 284.

Query. To what account shall be charged amounts paid financial institutions for their services in paying interest on a carrier's bonds?

Answer. The expenditures in question shall be charged to account No. 551, "Miscellaneous income charges." (See Case 277.)

CASE 285.

Query. To what account shall be credited amounts received in part payment of an account which had previously been charged to account No. 533, "Uncollectible railway revenue"?

Answer. To account No. 533, "Uncollectible railway revenue."

CASE 286.

Query. To what account shall be charged expenditures in connection with the examination of records and the securing of data as to traffic and other information relative to the placing of a bond issue?

Answer. Such expenses shall be charged to a suspense account and subsequently cleared to funded debt expense if the bonds are issued; if not issued the expenses shall be charged to account No. 621, "Miscellaneous debits."

CASE 287.

Query. A carrier made application to a State industrial commission to carry its own risk under the provisions of a workmen's compensation law. The application was granted on condition that securities of the value of \$5,000 be deposited with and registered in the name of the State industrial commission. In accordance with this requirement \$5,000 par value of certain municipal bonds, due 1953, were purchased and deposited with the commission. The interest on the bonds, however, will not be retained in the fund, but will be collected by the commission and forwarded to the carrier. Shall the cost of the securities be charged to account No. 711, "Special deposits"? To what account shall the income be credited?

Answer. Inasmuch as the text of account No. 711, "Special deposits," limits its use to deposits of a temporary character, the cost of the securities deposited

with the State industrial commission shall be charged to account No. 721, "Insurance and other funds." The income from the securities shall be included in account No. 516, "Income from sinking and other reserve funds."

CASE 288.

Query. In the Form of General Balance Sheet Statement for Steam Roads, First Revised Issue, effective June 15, 1910, it is provided that account B-15, "Other working assets," shall include "advanced charges billed out on way-bills not reported received at the end of the month," and that account B-41, "Other working liabilities," shall include "prepaid charges billed out on way-bills not taken into the month's accounts."

No provision is specifically made for these items in the Classification of General Balance Sheet Accounts, effective July 1, 1914. In what accounts under the effective general balance sheet classification shall these items be included?

Answer. They shall be included respectively in accounts No. 719, "Other current assets," and No. 768, "Other current liabilities."

CASE 289.

Query. Under the special instructions applying to the classification of operating revenues of steam roads it is provided that overcharges when discovered shall be credited to balance-sheet account No. 778, "Other unadjusted credits," while the text of account No. 761, "Miscellaneous accounts payable," requires that overcharges shall be included in "Miscellaneous accounts payable." Is there not a conflict in these instructions?

Answer. It is the intent of the classifications that revenue overcharges shall be credited to account No. 778, "Other unadjusted credits."

CASE 290.

Query. In computing train switching locomotive-miles is it permissible to accumulate switching at various way stations to obtain an aggregate of 30 minutes or more on which to base mileage? See rule 6 on page 12 of the Classification of Train-Miles, Locomotive-Miles, and Car-Miles for Steam Roads.

Answer. Train switching locomotive-miles shall be computed on a cumulative basis for a day's run or trip. If, for example, a locomotive devotes 15 minutes to switching at each one of seven stations during a day's run or trip, the total time, amounting to 1 hour and 45 minutes, shall be considered as 2 hours. If 15 minutes were consumed at each one of five stations the total time shall be considered as 1 hour.

CASE 291.

Query. A train run for the accommodation of shop employees also transports a number of revenue passengers who find it convenient to use this train. Is it permissible to include the mileage of such a train in account No. 804, "Special-train miles"?

Answer. The mileage of such a train shall be included in account No. 802, "Passenger-train miles."

CASE 292.

Query. The recording of small items of passenger overcharges which are found to be unrefundable involves much refinement in accounting. Is it per-

missible to carry such items in the revenue accounts until such time as refund is actually made?

Answer. Passenger overcharges amounting to \$1 or less in any one case may be carried in the revenue accounts until refunded.

CASE 293.

Query. To what account shall be charged the cost of battery renewals and repairs to battery boxes on axle-lighted passenger equipment?

Answer. The cost of repairs to the battery boxes shall be charged to account No. 317, "Passenger-train cars—Repairs." The cost of renewals of negative and positive groups and acids shall be charged to account No. 402, "Train supplies and expenses."

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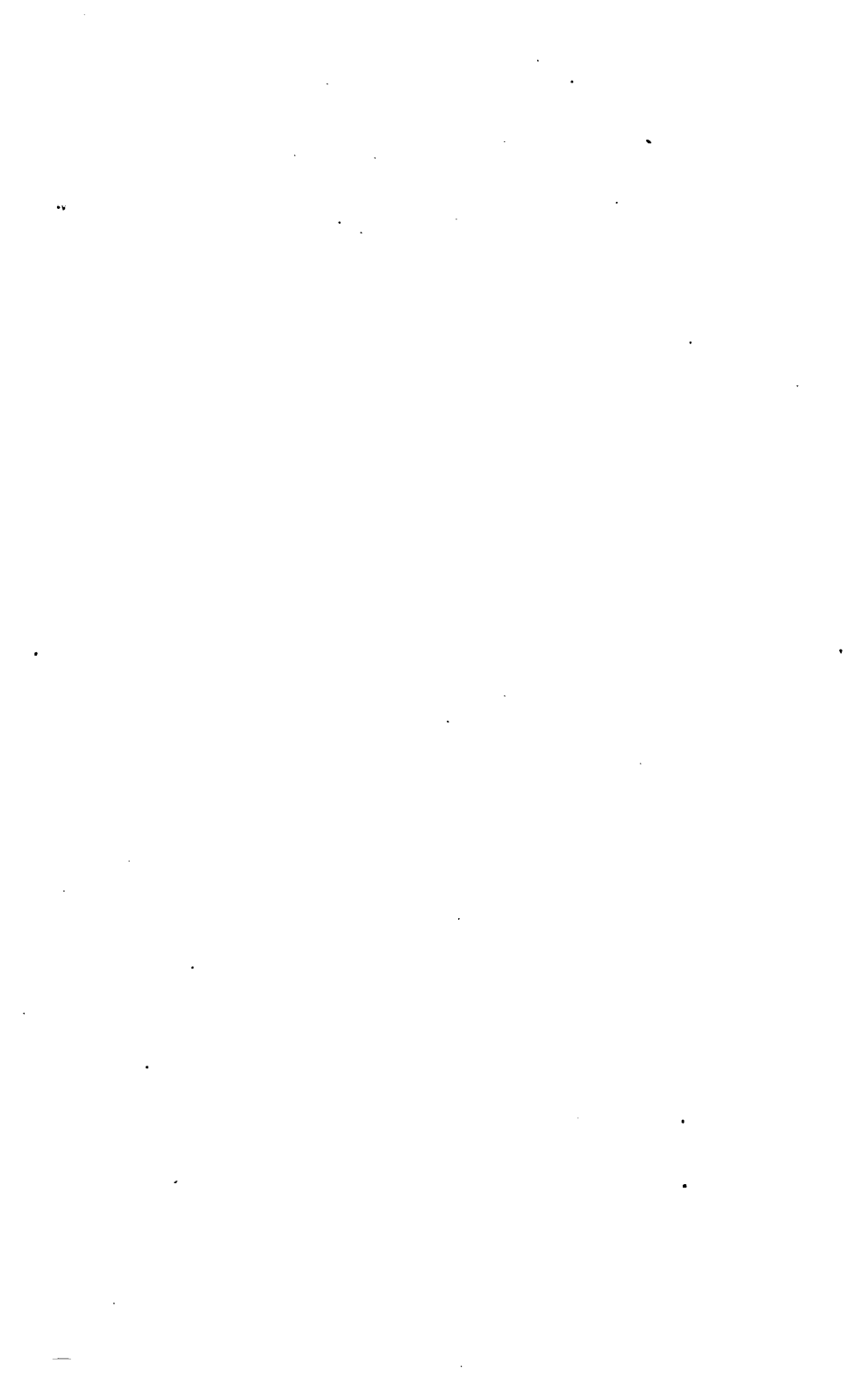
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